



सत्यमेव जयते

GOVERNMENT OF GUJARAT

**REPORT**  
**OF THE**  
**SALES TAX INQUIRY**  
**COMMITTEE**  
**1967**  
सत्यमेव जयते  
**(GUJARAT)**



BARODA

PRINTED AT THE GOVERNMENT PRESS

**1968**

[ Price — Rs. 4-15 ]

## CONTENTS

	PAGE
Chapter One	Introductory .. .. 1
Chapter Two	Historical background .. .. 5
Chapter Three	Economic and fiscal pattern .. 10
Chapter Four	Working of the present system .. 18
Chapter Five	System of sales tax .. .. 25
Chapter Six	Special problems .. .. 36
Chapter Seven	Rationalisation of the structure .. 55
Chapter Eight	Simplification of the procedure .. 82
Chapter Nine	Hardship to dealers .. .. 101
Chapter Ten	Avoidance and evasion of tax .. 112
Chapter Eleven	Administration .. .. 119
Chapter Twelve	Summary of conclusions and recommendations. 130
Lists	1 and 2 .. .. 171 to 185
Tables	1 to 37 .. .. 187-208
Appendices	A to O .. .. 209-277

# LISTS

		PARA	PAGE
List 1	.. List of Associations and Individuals who sent replies to the Questionnaire.	1.08	171
List 2	... List of Associations and Individuals with whom discussions were held.	1.10	177



## TABLES

	SUBJECT	PARA	PAGE
Table 1	.. Distribution of workers according to industrial categories as per 1961 census.	3.02	187
Table 2	.. Gross value of production of a few major minerals (except petroleum)	3.03	187
Table 3	.. Results of annual survey of Industries, all Industries	3.04	187
Table 4	.. Results of Census Part of Annual Survey of Industries—Selected Industries.	3.04	188
Table 5	.. Registered factories by districts	3.04	188
Table 6	.. Number of Registered dealers and document holders under Sales Tax Acts.	3.08	189
Table 7	.. Census houses and the uses to which they are put	3.09	189
Table 8	.. Percentage distribution of consumer expenditure (Nineteenth Round) i. e. 1964-65	3.10	190
Table 9	.. State income and per capita income at constant prices (1960-61 prices).	3.11	190
Table 10	.. Revenue receipts and expenditure of Gujarat State from 1960-61 to 1968-69.	3.14	191
Table 11	.. General budgetary position of the Gujarat State	3.14	191
Table 12	.. Share from centrally collected taxes and grants-in-aid	3.15	191
Table 13	.. Collection of Income Tax from Gujarat State	3.15	192
Table 14	.. Receipts from State taxes under Revenue account	3.17	192
Table 15	.. Growth in tax revenue, land revenue and sales tax revenue in all States.	3.18	193
Table 16	.. Total tax receipts, receipts under revenue account, receipts under the sales tax and the percentage of sales tax to the total revenue receipts of Gujarat as well as to the total tax receipts of Gujarat.	3.19	193
Table 17	.. Per capita sales tax revenue—in different States in India with population in each State.	3.20	194
Table 18	.. Yearwise position of registered dealers and document-holders in Gujarat State.	4.09	194
Table 19	.. Number of registered dealers as well as documents holders as on 31st March 1967.	4.09	195
Table 20	.. Number of dealers, their net turnover and taxes paid by different ranges of sales / Sales Tax Survey 1962-63.	4.10	196
Table 21	.. Dealers, their net turnover and taxes paid by different ranges of taxes / Sales Tax Survey, 1962-63.	4.10	196
Table 22	.. Classification of dealers according to turnover and tax paid (1965-66).	4.10	197
Table 23(a)	.. Under Bombay Sales Tax Act, 1959. Yearwise position of assessments pending at the beginning of the year, additions and disposal during the year and assessments pending at the end of the year.	4.12	197
Table 23 (b)	.. Under Central Sales Tax Act, 1956. Yearwise position of assessment pending at the beginning of the year, additions and disposed during the year and/assessments pending at the end of the year.	4.12	198
Table 24	.. Rangewise position of pending assessment as on 31st March 1967 of the cases (upto 1965-66, samvat year 2022 and calendar year 1966).	4.12	198
Table 25 (a)	.. The pendency position of appeals before the Appellate authorities under Bombay Sales Tax Act.	4.13	199
Table 25 (b)	.. The pendency position of appeals before the Appellate authorities under Central Sales Tax Act.	4.13	199



	SUBJECT	PARA	PAGE
Table 26 (a)	.. The pendency position of revisions and second appeals before the Deputy Commissioner of Sales Tax ( Appeals ) under Bombay Sales Tax Act.	4.13	199
Table 26 (b)	.. The pendency position of revisions before the Deputy Commissioner of Sales Tax ( Appeals ) under Central Sales Tax Act.	4.13	199
Table 27	.. Districtwise collection of Tax during 1961-62 and 1967-68	4.14	200
Table 27 (a)	.. Statement showing receipts, expenditure and cost of collection of Sales Tax Department.	4.14	202
Table 28 (a)	.. Yearwise position of outstanding recovery, demand raised, and amount recovered under the Bombay Sales Tax Act.	4.15	202
Table 28 (b)	.. Yearwise position of outstanding, extra demand raised, amount recovered under the Central Sales Tax Act, 1956.	4.15	203
Table 28 (c)	.. Yearwise position of Recovery, extra demand raised and amount recovered under the Motor Spirit Taxation Act.	4.15	203
Table 29	.. The total collection, the total outstanding and the percentage of total outstanding to the total collection.	4.15	203
Table 30	.. Break-up of recoveries outstanding as on 31st March 1967 for several reasons	4.15	204
Table 31	.. Rangewise position of seizure and non-seizure cases pending as on 31st March 1967.	4.16	204
Table 32	.. Rangewise position of cases investigated during the year 1966-67 and additional tax realised.	4.16	205
Table 33	.. Result of vigilance measures for year 1966-67 ..	4.16	205
Table 34	.. Number of textile units and value of their production ..	6.13	206
Table 35	.. Number of art silk units and their production ..	6.14	206
Table 36	.. Number of sugar factories and their production ..	6.15	207
Table 37	.. Results of audit by Accountant General ..	11.08	208

## APPENDICES

		PARA	PAGE
Appendix A	.. Resolution of the Government of Gujarat No. VVA-1067/1558 2348-TH, dated 19th June, 1967-constituting the Committee.	1.05	209
Appendix B	.. Resolution of the Government of Gujarat No. VVA.1068 / 128 / TH, dated 9th January, 1968-Modifying terms of reference	1.05	211
Appendix C	.. Questionnaire .. .. .	1.07	212
Appendix D	.. Terms of reference of the Fifth Finance Commission ..	3.16	252
Appendix E	.. Outline of systems in differen States in India ..	5.02	254
Appendix F	.. Turnover limits in various States in India ..	5.21	256
Appendix G	.. Form of Licence .. .. .	8.06	258
Appendix H	.. Form of Recognition .. .. .	8.06	260
Appendix I	.. Certificate to be issued by a Selling Commission Agent ..	8.09	262
Appendix J	.. Certificate to be given by the Principal ..	8.09	263
Appendix K	.. Certificate to be given by buying Commission Agent ..	8.09	264
Appendix L	.. Certificate to be issued by the Principal to the Purchasing Commission Agent.	8.09	265
Appendix M	.. Form of Declaration .. .. .	8.13	266
Appendix N	.. Form of Return of tax payable by a dealer under the Bombay Sales Tax Act, 1959.	8.14	267
Appendix O	.. Chart showing the organisational pattern that emerges from the recommendations.	11.05	275



## CHAPTER ONE

### INTRODUCTORY

1.01 *Appointment of the Committee.*—The Committee was appointed by the Government of Gujarat in pursuance of Resolution No. VVA-1067/1558/2348-TH, dated 19th June 1967, of the Finance Department, main part of which runs as under :—

“ The Bombay Sales Tax Act, 1959 largely based on the recommendations of The Sales Tax Enquiry Committee ( 1957-58 ) has been in force in Gujarat with amendments made from time to time. The present scheme of sales tax is a composite system combining first point tax to be paid by manufacturers, processors and importers with General Sales Tax to be paid at the last wholesale or semi-wholesale stage and a retailer's turnover tax at the retail stage.

To ensure the smooth working of the Act, Government has been taking various steps including the constitution of an Advisory Committee at the State level. However, suggestions from the Advisory Committee as well as from various other quarters have been made from time to time concerning various aspects of the administration of the sales tax law and particularly, about the simplification of the procedure. It has been the practice of the Government to accept such of those suggestions which were cogent and deserving. However, a need for rationalisation of the structure and further simplification of the procedure of assessment with a view to remove the hardships of the dealers cannot be denied.”

1.02 *Constitution.*—Government, therefore, decided to constitute a Committee, consisting of the following members :—

(1) Shri Maldevji M. Odedra	.. Chairman
(2) „ Gangaram C. Raval, M. L. A., Mehsana	.. Member
(3) „ Liladhar P. Patel, M. L. A., Jamnagar	.. „
(4) „ Vithalbhai P. Amin, Ahmedabad	.. „
(5) „ Surajram H. Bachkaniwala, Surat	.. „
(6) „ Chandulal B. Satia, Ahmedabad	.. „
(7) „ Kundanlal J. Dholakia, Bhuj	.. „
(8) „ Ratilal N. Chitalia, Rajkot	.. „
(9) „ Narhar B. Vaze, Baroda	.. „
(10) „ S. M. Ghosh, Industries Commissioner*	.. „
(11) „ V. R. Mehta, Commissioner of Sales Tax	.. Member Secretary

1.03 *Terms of Reference.*—The terms of reference of the Committee as outlined in the Government Resolution are as follows :—

- (1) To examine the present system of Sales Tax and to review its working.
- (2) To make recommendations on—
  - (a) the system\*\* and the rationalisation of the structure of Sales Tax ;
  - (b) simplification of the procedure ;

---

\* Now the Secretary to the Government, Department of Industries, Mines and Power.

\*\* The terms of reference have been subsequently modified so as to include recommendation to be made on system also.

- (c) measures to be taken for removing hardships to dealers; and
- (d) improvement in the quality of the administrative system and personnel.

While making recommendations, the committee will give due regard to—

- (a) the revenue requirements of the State, and
- (b) control of avoidance and evasion of tax.

1.04 *Scope of Inquiry*.—We discussed the terms of reference and scope of inquiry at our first meeting. While it was clear that we could examine the present system of sales tax and review its working and could make observations thereon, we felt that we could not directly go into the question of making recommendations on the change in system within the terms of reference as originally outlined. It became apparent to us that we should have freedom to cover the widest possible ground, if useful conclusions were to be reached. Without any preconceived notion, therefore, we thought that the terms of reference should be widened to cover recommendations to be made on system also, if it was so found necessary. We accordingly approached the Government for amendment in the terms of reference. The Government has since modified the terms of reference under Government Resolution No. VVA-1068/128/TH, dated 9th January 1968 which includes recommendation to be made on the system also.

1.05 *Government Resolutions*.—The Resolution of Government of Gujarat regarding constitution of the committee and embodying the terms of reference is appended as Appendix 'A'. The Resolution modifying the terms of reference is appended as Appendix 'B'.

1.06 *Duration of the Inquiry*.—Under the Resolution of the Government, we were required to submit our report within a period of six months from the date of the resolution. We prepared a time schedule accordingly to complete the report within time. However, a draft amendment bill containing some important amendments was introduced in the State Legislative Assembly on 27th July, 1967. We could not issue questionnaire until the Assembly considered the draft amendment bill. In the meantime, we issued a press note on 11th July 1967 addressed to several organisations and individuals and invited memoranda or suggestions useful in preparation of the questionnaire. We finalised the questionnaire on 14th September, 1967. The questionnaire was published on 28th September, 1967. As the issue of the questionnaire was delayed, Government was requested for extension of time. The Government agreed to extend the duration of inquiry upto 29th February 1968 which was further extended upto 30th June, 1968.

1.07 *The Questionnaire*.—The questionnaire is appended as Appendix 'C'. It is divided into six parts and contains 93 questions. It was issued both in English and in Gujarati in separate booklets. Copies were sent to Members of the Parliament from Gujarat, Members of the Gujarat State Legislative Assembly, Chambers of Commerce, Trade, Industries and Economic Associations, Members of the State Advisory Committee, Sales Tax Practitioners' Associations, Presidents of Local Bodies, Chairman of the state level statutory or non-statutory boards, Heads of the Departments of the State Government and individuals who could make valuable contribution. Copies of the questionnaire were sent to 498 associations and 533 individuals.

1.08 *Replies to the Questionnaire*.—Replies to the questionnaire were invited within 40 days from the date of its issue. On request from several chambers, the time was further extended upto 15th of November, 1967. Simultaneously, statistical data and other information relevant to the terms of reference were called for from the Departments of the Government. We received replies from 206 associations and 100 individuals from the State and also from outside the State. The names of associations and individuals who sent their replies are shown in List 1. In addition, we also received replies from 159 officers of the Sales Tax Department.

1.09 *Visits and discussions*.—After the replies were received and scrutinised, we visited head-quarters of each district except Dangs and also commercially important places; heard the associations and individuals and discussed replies received from them.

We met members of the Sales Tax Practitioners' Associations in the districts; the Association of Sales Tax Practitioners in Ahmedabad; the Association of Income Tax Practitioners, Ahmedabad and the Ahmedabad branch of the Chartered Accountants' Association. We also met eminent industrialists, economists and persons with special knowledge or experience on Sales Tax matters.

We had the opportunity of holding discussions with the Chief Secretary to the Government, the Additional Chief Secretary and Secretary, Finance Department, the Secretary, Legal Department, the Accountant General, Gujarat and the Commissioners of Income Tax, Gujarat. We had useful discussions with the officers of the Sales Tax Department. We also had discussions with The Gujarat State Sales Tax Officers Association and The Gujarat State Sales Tax (Class-III non-gazetted) Staff Union.

We also met the members of the State Sales Tax Advisory Committee. With a view to study the conditions and system operating in Maharashtra and Madras State, a sub-committee visited these states. The sub-committee had discussions with Secretary, Board of Revenue, and officers of the Commercial Taxes Department of Madras States; The Secretary, Finance Department, Madras State and the Commissioner of Sales Tax and officers of the Sales Tax Department in the Maharashtra State.

1.10 *Meetings of the Committee.*—We held 19 meetings of the Committee from time to time in all for 19 days. The number of meetings held by the sub-committee was 17. We devoted 39 days for discussions with different organisations and individuals. All the replies received as well as suggestions made before the committee were taken into consideration. We considered 206 memoranda of the associations and 100 individual replies and 159 replies from the officers of the Sales Tax Department. The list of associations and individuals with whom we held discussions is appended as List 2,

1.11 *Plan of the Report.*—After prolonged deliberations, we have formulated recommendations which are embodied in this report. The report is divided into twelve chapters. It contains 2 Lists, 37 Tables and 15 Appendices. The first chapter is Introductory. The Second Chapter deals with the historical background of the present system and the developments prior to the enactment of the present Sales Tax Act. In the third chapter, we have dealt with economic and fiscal pattern and we have discussed economic data relevant to consideration of the system and the structure and have examined the receipts and expenditure of the State to broadly assess the needs of the State. In the fourth chapter, we have examined and made observations on the working of the present system. The fifth chapter deals with various systems of sales tax and contains recommendations on the system which we advocate. Special problems relating to certain industries, small manufacturers, village artisans or craftsmen or special establishments or dealers engaged in special trades, as highlighted before us are discussed in chapter six. We have also discussed in this chapter certain definitions and problems like casual sales, consignments etc. In the seventh chapter, we have discussed the rate structure, tax free goods, exemptions, various schedules and such other matters which are relevant to the consideration of rationalisation of the structure of sales tax. In the eighth chapter, we have dealt with procedure for registration, voluntary registration, returns, documents, procedure for assessment, appeals, review and other matters relating to simplification of the procedure. Hardship to dealers on account of provisions pertaining to penalty, prosecution, refunds set-off, back liability etc., are discussed in the ninth chapter. In this chapter, we have also dealt with aspects of Public Relations and Advisory Committee. The tenth chapter deals with tax evasion and methods and machinery to check evasion of tax. The eleventh chapter is devoted to critical study of organisation and pattern of administration, quality and efficiency of the personnel in the department and the lines of future reorganisation and streamlining the administration. We have embodied summary of our conclusions and recommendations in the last chapter.

1.12 *Acknowledgements.*—We wish to record our deep sense of appreciation and gratitude to all the Chambers of Commerce, Associations, other organisations and individuals who responded to our questionnaire and furnished replies or memoranda and who also provided opportunities for free discussions with them. Our special thanks are due to Gujarat Vepari Mahamandal which sponsored the Sales Tax Conference on 16th and 17th December, 1967 and provided forum for Chambers and Trader's

Associations all over the State to express their views on important aspects of Sales Tax Law and its administration. We wish to express our gratitude to the officers of the State Government and also to the Accountant General, Gujarat and Commissioners of Income Tax, Gujarat for their valuable suggestions.

We wish to express our thanks to Divisional Deputy Commissioners who besides giving their views on many matters helped in arranging meetings with the Assistant Commissioners and Sales Tax Officers and also with the Chambers of Commerce and Associations at various places. We know that the offices of the department were put to heavy strain as we had to call for various data and information at short notice and the officers have supplied such information promptly. We received full co-operation from the Director of Bureau of Economics and Statistics in collection of statistical information on various matters.

We record our sense of high appreciation of the valuable assistance given by our Member Secretary Shri V. R. Mehta, I. A. S., Commissioner of Sales Tax, at every stage of our inquiry. His knowledge of Sales Tax Law and acquaintance with the problems connected with sales Tax considerably facilitated our inquiry. In spite of his current duties as Commissioner of Sales Tax, he contributed his full share to the deliberations and in the preparation of the report.

Lastly, we would like to place on record our appreciation of hard work and commendable zeal and initiative exhibited by Shri R. P. Shah, Sales Tax Officer in charge of the Committee's work. He was ably supported by each one of the members of the staff. We would like to appreciate hard work and diligence shown by Shri R. K. Bhatt, the Stenographer and other members of the staff.



## CHAPTER TWO

## HISTORICAL BACKGROUND

2.01 *Component parts of Gujarat.*— The State of Gujarat came into existence on 1st May 1960, as a result of the Bombay Re-organisation Act, 1960. The new State has been carved out from the then State of Bombay and comprises of the territories mentioned in section 3 of the Bombay Re-organisation Act, 1960. It consists of components which had earlier merged into the State of Bombay at the time of previous reorganisation in 1956. These components are (a) the districts of the old Bombay State as existing before 1956, (b) districts of the State of Saurashtra and (c) district of Kutch which formed part of the Kutch State. The State is divided at present into 19 districts. The districts of Ahmedabad, Amreli, Kaira, Dangs, Panchmahals, Banaskantha, Broach, Mehsana, Baroda, Sabarkantha and Surat formed parts of the old Bombay State. Two new districts have since been created viz. Bulsar and Gandhinagar. Bulsar consists of talukas which formed part of the old Surat district. Gandhinagar consists of talukas which are taken out from Ahmedabad and Mehsana districts. The districts of Jamnagar, Junagadh, Bhavnagar, Rajkot and Surendranagar belonged to the old Saurashtra State. The district of Kutch represents the former 'C' class State of Kutch.

2.02 *System in districts of old Bombay State.*— Different systems of sales tax prevailed in the component areas before 1956. In what are known as districts of old Bombay ( the then province of Bombay ) sales tax was first introduced as a selective levy on sales of tobacco. Levy of sales tax was later extended to motor spirit and manufactured cloth at a rate not exceeding six and quarter per cent by the Bombay Sales Tax Act, 1939.

It was in 1946 that the general sales tax was introduced for the first time. The Bombay Sales Tax Act, 1946, was enacted for levy of tax at the last stage of sales of goods. The enactment was soon sought to be revised in a comprehensive manner and a committee was appointed under the Chairmanship of Shri D. R. Gadgil in October 1946. The committee recommended substitution of a general turnover tax in place of single point tax which was then in force.

In the light of several recommendations made, the act was amended in 1947. The broad features introduced were the rate of tax at six pies per rupee of sales price on taxable commodities, exemption from tax of a large number of articles of food and daily necessity of the common man and also articles on which other duty such as excise was levied, lowering of turnover limit for liability for importers and manufacturers at Rs. 10,000 per year as against turnover limits for liability for other dealers at Rs. 30,000 per year and to provide for voluntary registration of dealers.

In 1948, the rate of tax was increased from six pies to one anna in the rupee on specially selected goods. Changes were made from time to time to bring more number of articles under the higher rates of tax and exemption list was modified. Inter-state trade was protected by granting exemption to sales of goods despatched outside the State. Total exemption to goods despatched in course of inter-State trade was replaced by levy which was half of the ordinary rates levied on intra-State sales. However, restrictions came on such levy by operation of Article 286 of the Constitution. It was noticed that restrictions imposed by Article 286 on the power of a State to impose tax on inter-state transactions, severely affected the State's revenue. The need for higher revenue was also felt to meet the expenditure under the First Five Year Plan.

These circumstances, combined with other factors, compelled a change again in the basis of the sales tax system in 1952. A system of multiple taxation with a single point levy in addition to general levy was introduced. Several modifications followed to remove the difficulties and grievances of the trade but they only served to complicate the system. The system was, therefore, again replaced by what was known as "Two-point system" in April 1954. This system provided levy at the first stage of sale of goods and general sales tax in addition to the sales tax. The general sales tax was levied on each transaction but the levy was postponed, to the stage when the last wholesaler resold to a retailer. In effect, it served to impose a single point tax at the first

stage and at the last stage. The two point system continued in the areas of the old Bombay State till 1959.

2.03 *System in districts of old Saurashtra State.*—The districts of the old Saurashtra State were governed in the matter of sales tax by Saurashtra Sales Tax Ordinance which was first introduced in 1950. To begin with, selective levy on thirteen commodities only at a moderate rate of six pies in a rupee was imposed and was collected at the first point of sale in the State. In 1952, the selective sales tax was replaced by a general sales tax modelled on the single point system prevalent in Bombay State in 1946. The measure met with stout resistance from the trading community and certain concessions were made by way of raising the turnover limits for registration for dealers other than manufacturers or importers, by enlarging the exemption list and by reducing rate of tax on certain commodities. The Saurashtra Sales Tax Ordinance 1950, with amendments from time to time held the field in the districts of Saurashtra till 1959.

2.04 *System in Kutch district of the old Kutch State.*—The present district of Kutch formed part of the "C" class State of Kutch. The Central Provinces and Berar Sales Tax Act, 1947, was applied to Kutch State with some modifications and was brought into operation in 1955. The rate of tax under the enactment was six pies in the rupee. Agricultural Commodities were totally exempt and certain categories of manufacturers were partially exempt under certain conditions. The Act with amendments or adaptation from time to time was in force in Kutch till 1959.

2.05 *Changes in the Bombay State after 1956.*—Different enactments in different areas thus continued in force by virtue of the Bombay Adaptation of Laws ( State and Concurrent Subjects ) Order, 1956. The difficulties regarding taxation of inter-State sales resulted in the passage of the Constitution ( 6th Amendment ) Act of 1956, which gave Parliament exclusive power to tax sales in inter-State trade. The amendment also authorised Parliament to formulate principles to determine when a sale took place outside a State or in the course of export or import and to restrict the taxation by the States on sale of goods which should be declared by Parliament to be of special importance to inter-State commerce. The Central Sales Tax Act was enacted in 1956. Again in 1957, additional excise duty was introduced on Textiles Sugar and Tobacco and its products under Additional Duties of Excise ( Goods of Special Importance ) Act, 1957. This necessitated exemptions of these commodities from payment of tax under the Sale Tax Act which was effected under the Bombay Sales Tax Laws ( Special Exemptions ) Act, 1957.

2.06 *Sales Tax Enquiry Committee ( 1957-58 ).*—Different systems prevailing in different areas and administrative organisation under each system besides causing hardship to dealers, did cause serious administrative difficulties. The Government of Bombay, therefore, contemplated appointing a committee to recommend a system of sales tax that could be applied uniformly to all the component units of the State of Bombay in replacement of the various Sales Tax Laws then in force, keeping in view the revenue requirements of the State and for the due fulfilment of the Second and successive Five Year Plans. Mainly with this end in view and also with a view to examine the system of administration of the sales tax laws and to indicate in what respect they could be improved, a Sales Tax Enquiry Committee was appointed by the Government of Bombay under Resolution No. STA / 1057 / G-1, dated 3rd December, 1957. The main part of the Resolution was as under :—

“ On the formation of the new Bombay State as from November 1st, 1956, the various Sales Tax Laws of the States which have, in whole or in part, come to form the present State of Bombay have continued to remain in force in the respective areas of the present State of Bombay, except for routine changes by way of adaptation under section 120 of the States Reorganisation Act, 1956 and certain legislative amendments which have not altered the laws except in minor details. Changes effected in rules and orders issued under these laws have also had the same effect of not altering the status quo—basically. The question of replacing the various systems of sales tax by a single uniform system applicable to the entire State has, however, been engaging the attention of Government



since the Reorganisation took place. It was accordingly announced by the Governor of Bombay in his address to the Joint Session of the Legislature in June, 1957, that after the publication of the Report of the Finance Commission, Government would appoint a Committee to advise Government on the unification of these Laws."

It was in this background that the Sales Tax Enquiry Committee ( 1957-58 ) was appointed.

2.07 *The Bombay Sales Tax Act, 1959.*—The Committee was headed by Shri Babubhai J. Patel, who is now the Minister in Charge of Public Works Department and Civil Supplies, Government of Gujarat. The Committee made a comprehensive survey of the development of sales tax in different areas of the Bombay State. It dealt at length with the basis of structure of sales tax, exemption, registration, licensing, authorization, recognition, commission agency, aspects of administration of sales tax, evasion and corruption and made far reaching recommendations which paved the way for the enactment of the *Bombay Sales Tax Act, 1959*.

2.08 *Changes after the formation of Gujarat State.*—The Bombay Sales Tax Act, 1959, was adapted and modified by the Gujarat Adaptation of Laws ( State and Concurrent Subjects ) Order, 1960 and extended to all the present districts of this State as per section 88 of the Bombay Re-organisation Act, 1960. Several changes have been made in the Bombay Sales Tax Act, 1959, after the formation of the Gujarat State. Amendments have been effected under Gujarat Act No. XII of 1960, No. XI of 1961, No. L of 1961, No. IV of 1962, No. XXV of 1962, No. XIX of 1963, No. XIII of 1964, No. VIII of 1965, No. XXXIV of 1965, No. XV of 1966 and No. IX of 1967.

The amendments relate amongst other things to imposition of tax on kerosene, increasing rates of tax on certain luxury items, levying purchase tax on sugar-cane, extending levy of retail sales tax on goods falling under "C" and "D" Schedules, regulating levy of tax on packing materials and certain other procedural matters. By recent amendments in 1967\*, the turnover limits for importers and manufacturers have been raised from Rs. 10,000 to Rs. 20,000. Amendments were also made whereby a dealer holding recognition certificate would be able to make purchases of prohibited and non-prohibited goods at a low rate of tax on all the goods purchased by him ( This amendment is not yet brought into force ). The rates of tax on several items of declared goods and other prohibited items have been raised from 2 per cent to 3 per cent.

2.09 *The present system.*—Having surveyed the historical background and development of the present system of sales tax in Gujarat, we now examine the detailed features of the system and the scheme of the present Act. The present system, as observed earlier, is based on the recommendations of the Sales Tax Enquiry Committee ( 1957-58 ) which recommended tax at the first stage of sale on large number of articles, all subsequent transactions being free from tax. It also recommended tax at the last stage alone on few articles. On goods not required by manufacturers and processors, there are three types of taxes *viz.* sales tax payable at the first stage payable by the manufacturers or other producers and importers, general sales tax payable at the last wholesale or semi-wholesale stage and the retailer's turnover tax to be paid on the turnover by a retailer. The system thus consists of levy of sales tax and/or general sales tax and the retail sales tax.

2.10 *Scheme of the Act.*—The scheme of the Act provides for exemption from tax on several goods which are listed in Schedule A ( section 5 ). It provides for single point levy at the first stage on sale of goods falling in Part I of Schedule B and in Schedule C [ Sections 7(i) and 8 ]. It provides for a last stage levy *viz.*, general sales tax on goods falling in Part II of Schedule B and in Schedule D [ Sections 7(ii) and 9 ]. General sales tax is levied at semi-wholesale stage or intermediate stage between the manufacturers or importers and the retail stage. All other goods *viz.*, those specified in Schedule E are subjected to levy of sales tax and general sales tax ( section 10 ). Levy of retail sales tax is provided on sales of goods specified in Schedules C, D and E

\*Act IX of 1967.

( section 10-B ) except when sales are made by a Licensed dealer ( wholesaler ) to a registered dealer ( retailer ). The scheme of the levy of sales tax or the general sales tax is further supplemented by a scheme of purchase tax ( sections 13 and 14 ) so as to avoid the possibility of escape of tax under certain circumstances.

2.11 *Limits of liability.*—The present Act provides for the limits of turnover for the purposes of liability in the case of dealers who are importers or manufacturers or other than importers or manufacturers ( section 3 ). The provisions relating to liability to pay tax were recently amended and the position for the purposes of liability for different dealers is as under :—

Category of dealers	Limit of value of taxable goods sold or purchased during the year	Limit of value of any goods whether taxable or not-brought by him into the State or despatched to him from outside the State during the year/manufactured by him during the year	Turnover limit either of all sales or of all purchases during the year
1	2	3	4
	Rs.	Rs.	Rs.
(A) Importer ..	2,500	2,500	20,000
(B) Manufacturer ..	4,000	4,000	20,000
(C) Dealers other than importers or manufacturers.	2,500	..	30,000

2.12 *Licencing and documents.*—In order to exempt the sales from general sales tax at the intermediate stages, a system of Licencing ( section 12 and form 16 ) and system of refund of general sales tax is devised. It is also secured under the system of Recognition ( section 25 and form 15 ) that goods required by manufacturers of taxable goods as raw materials and as processing and packing materials other than prohibited items should be purchased free of tax. An amendment has been made recently to enable a dealer holding Recognition certificate to make purchases of goods on payment of uniform *ad hoc* tax on all goods purchased by him but this amendment has not yet been brought into force by the Government. The Act also provides for deductions from the turnover of sales, sales of goods in the course of exports ( section 12 ) regulated by a system of Authorisation and certificates in forms No. 14 and 17-A. It also provides for purchases of goods on behalf of principal by a Commission agent holding permit ( section 12 and form 17 ).

2.13 *Registration and returns.*—Every dealer liable to pay tax is required to possess a valid certificate of Registration ( section 22 ). There is no scheme of voluntary registration under the Act. Every Registered dealer has to furnish return in a prescribed form ( section 32 ). The Act requires monthly returns to be filed for one year by a dealer who applies for a document for the first time. The normal procedure for all dealers is to file quarterly returns. Annual return is provided for such Registered dealer who is not a Licenced dealer, an Authorised dealer, a Recognised dealer or a Commission Agent holding a permit and is not a manufacturer or importer of taxable goods and whose turnover of purchases of taxable goods during the previous year from a person who is not a Registered dealer does not exceed Rs. 2,500 and whose turnover of sales or purchases during the previous year has not exceeded Rs. 50,000 ( Rule 22 ).

2.14 *Assessment.*—The Act provides for annual assessment of a Registered dealer separately for each year during which he is liable to pay tax ( section 33 ). The year means a Financial Year but in relation to any particular Registered dealer means the year, by reference to which, according to the option declared by such dealer, the accounts of that dealer are ordinarily maintained in his books [section 2(37)]. Provisions are made for assessment of turnover escaping assessment or under assessment ( section 35 ). The Law provides for lumpsum payment of tax in such circumstances

and such conditions as may be prescribed but lumpsum payment is not in actual operation as no rules have been framed under the Act (section 40). Provisions have been made for refund, draw back, set-off and remission of tax, (sections 42, 43, 44 and 45) and detailed rules have been framed for procedure for grant of draw back, set-off and refund (Rules 40, 40-A, 41, 41-A, 42, 43, 44, 44-A, 45, 46 and 47).

2.15 *Appeals and revisions.*—An appeal is provided against every original order to a superior officer. In the case of an order passed in appeal by an Assistant Commissioner, a second appeal lies at the option of the appellant either to the Commissioner or to the Sales Tax Tribunal (Section 55). Tribunal is constituted by the State Government under the powers vested in it under the Act (Section 21). The qualifications of the President and members constituting the Tribunal have been prescribed. The functions of the Tribunal are discharged in accordance with the regulations framed. Certain orders are made non-appellable (section 56). Powers of revision have been vested in the Commissioner and the Tribunal (section 57).

2.16 *Penalties and prosecution.*—The Act provides for imposition of penalty for contravening certain provisions of the Act (sections 36 and 37). It also provides for offences and penalties for certain offences (section 63). No prosecution for an offence is permitted to be instituted in respect of the same facts on which penalty has been imposed.

2.17 *Rates of tax.*—Description of goods exempted from tax, or subject to levy of tax, the nature of levy viz., sales tax, general sales tax or purchase tax and the rate at which tax is levied are contained in Schedules A, B, C, D and E. Normally the basic rate of sales tax is 3 per cent and the rate of general sales tax is 3 per cent. The rates of tax vary between 3 per cent to 12 percent with special exceptions. Among the special exceptions are the lowest rate of sales tax of one-half per cent on Bullion and Specie and the highest rate of forty-five paise in the rupee on country liquor. The rates of tax on goods of special importance declared under the Central Sales Tax Act are kept at 3 per cent. The rates of tax on certain goods on which all the states have agreed to keep the minimum lower rate range from 10 per cent to 12 per cent. The tax on non-luxury goods is kept low, while luxury goods are taxed at higher rates. There are certain goods on which different rates have been provided based on differentiation of prices. Food and cereals and other necessities of life and perishable articles are exempt from tax. The products of Khadi and Village Industries are also exempt from payment of tax. The Government has also power to exempt any specified class of sales or purchases from payment of the whole or any part of any tax payable, if Government considers it necessary to do so in public interest (section 41). Government under various notifications have exempted a number of class of sales or purchases from the payment of tax.

2.18 *Procedure and rules.*—To carry out the purposes of the Act, Rules viz., Bombay Sales Tax Rules, 1959, have been framed under the Act which contain procedure and forms of applications, certificates, declarations, returns, notices etc. Among other things, Rules provide for application for registration, grant of registration certificate, its cancellation, procedure for application and grant of Licence, Authorisation, etc., procedure for submission of returns, payment of tax, assessment of tax and penalty, rules for grant of draw back, set-off and refund, procedure for appeals and revisions and also rules for enrolment of Sales Tax Practitioners.

## CHAPTER THREE

## ECONOMIC AND FISCAL PATTERN

3.01 *Economic data.*—In this chapter, we propose to examine and analyse very shortly, available economic data in so far as it has bearing on the various issues which we shall consider and also to the consideration of the system and the structure etc., of sales tax law. Another factor which we shall have to keep in the centre of all our proposals, is the revenue requirements of the States and for that purpose we have to broadly assess the needs of the State based on the trends of receipts and expenditure in the past few years and also on forecast of future needs with special reference to the Fourth and successive plans.

We believe that a system and structure of sales taxation will serve best if it takes into consideration, among others, economic implications like level of development of agriculture and industry, organisation of trade and trade channels, various products manufactured by manufacturers, pattern of consumption etc. We think, that some basic economic data of the State will serve as guide to some extent to study the economic implications. Since no detailed studies regarding distribution of trade, commoditywise collection, tax burden on different classes of traders and consumers and combined incidence of all taxes on commodities as well as 'formal' or 'effective' incidence are available, we shall have to draw upon basic economic data as far as possible.

3.02 *Human Resources.*—The total population of Gujarat according to 1961 census was 206.3 lakhs living in 181 towns and 18,854 villages, which forms about 4.78 percent of the population of the Indian Union. During the period 1951-61, the population of Gujarat registered a growth of 26.88 percent or 2.7 percent per annum against the all India growth of 21.50 percent or 2.2 percent per annum.

Out of the total population 74.23 percent reside in rural areas, while the remaining 25.77 percent in urban areas. Nearly 20 percent of the total population consists of Scheduled Castes and Scheduled Tribes. The State has, according to the 1961 census, 84.75 lakhs workers out of which 81 percent are in the rural areas, while 19 percent are in the urban areas. It is observed that proportionately more workers in the State (12.9 percent) are in manufacturing industry than in India (10.6 percent). The human resources of the State are distributed in different Industrial categories as shown in Table 1.

3.03 *Natural Resources.*—The main natural resources of the State are land including forests, mineral and marine wealth.

About 52 percent of the total area is under cultivation. The State is amongst the leading producers of cash crops like cotton (26.3 percent), Groundnut (25.2 percent) and Tobacco (21.08 percent) but it contributed only 3.18 percent towards the total food production of the country in 1964-65.

The State is known for its mineral wealth viz., bauxite, agate, salt, chinaclay, calcite, manganese ore, lime stone and fireclay. Recently rich deposits of fluorite and lignite have come to light. The total value of production of a few minerals are shown in Table 2.

In recent years deposits of Natural Gas and Oil have been exploited. The Ankleshwar and Kalol oil fields feed the Koyli Refinery, which is now operated with three million tonnes capacity. The table below will show the production of some important products.

				( in 1000 tonnes)	
Sr. No.	Products			Upto end of 1965-66	1966-67
1	2			3	4
1	Motor Spirit	..	..	82	264
2	Gasoline	..	..	23	57
3	High speed diesel oil	..	..	82	396
4	Superior Kerosene	..	..	106	276

The State has a coastline of about 1,600 Kilometers. Besides development of major, intermediate and minor ports on the coastline, the sea provides ample scope for fisheries and industries based on marine products.

**3.04 Industries.**—The major industries of the state are textiles, general and electrical engineering, hydrogenation of oil, chemicals, pharmaceuticals, cement and ceramics. The State ranks third among the States in Indian Union in terms of value added by manufacture by the large scale industries. The main features of overall industrial growth based on results of Annual Survey of Industries are presented in Tables 3 and 4. The number of factories in the State registered under Indian factories Act was 5231 at the end of June, 1967 giving employment to 4.13 lakhs workers. A districtwise picture of number of registered factories is given in table 5. With about 6 percent of the State's working population engaged in manufacturing (other than Household) activity against an all India average of 4 per cent. Gujarat is one of the first four industrially advanced States in the country. The oil refinery and the petrochemical complex now taking shape will impart a new momentum to the diversified industrial development of the state.

**3.05 Small, Cottage and House hold Industries.**—According to census 1961, about 5.56 lakhs workers are engaged in the Household Industries. The Small Industries Sector *e. g.* the non-registered establishment sector contributes about 4 percent of the total income of the State. According to the survey carried out by the State Bureau of Economic and statistics (1959-61) for 16 important small industries, 3.85 lakhs workers were engaged in these Industries. According to the report of National Council of Applied Economic Research, the employment in the organised Small Scale Industries in Gujarat was 8.2 percent against 4.1 percent for the country in the year 1960-61.

**3.06 Power.**—The per capita consumption of electricity during 1966-67 was 69.8 KWH. which was slightly higher than the All India average of 69 KWH. The installed capacity for power generation at the end of 1966-67 was 608 M. W. Power generating capacity in the State will be increased to 1,142 M. W. by 1970-71.

**3.07 Transport and Communications.**—There are 26,029 K. M. of roads and 5,426 K. M. of Railway lines in the State as on 31st March, 1966 (excluding Zund-Kundla railway line). The State has a long coastline of about 1600 K. M. having one major, 10 intermediate, 36 minor and 2 centrally administered ports which handled about 62.31 lakhs tonnes of traffic during the year 1966-67. There were 69,218 motor vehicles, 5,668 post offices, 903 telegraph offices and 40,233 telephone connections and 4,87,829 radio licences registered in the State at the end of the year 1966-67.

**3.08 Trade and Commerce.**—The distinguishing qualities of the people of Gujarat have been their flair for wide-spread mercantile and marine activities. 4.8 percent of the working population in the State is engaged in trade and commerce as against 4 percent in the country. In recent years, there has been a considerable growth in trading activities as can be seen from the statistics of registration under Sales Tax Acts given in Table 6.

As against 860 joint stock companies in the State, having authorised and paid up capital at Rs. 194 crores and Rs. 67 crores respectively by the end of 1962-63, the number of working companies is expected to have increased to 1,037 by the end of 1965-66 with their authorised capital at Rs. 272 crores and paid up capital at Rs. 102 crores. There were 538 commercial and co-operative banking offices giving banking facilities and services at 216 places on 31st March 1961. The number of banks has increased to 942 and the number of places served has increased to 316 in 1967.

**3.09 Census Houses.**—From the Census Houses and the use to which they are put, it is revealed that the establishments which are used for activities connected with trade and commerce are 3.48 lakhs. The details are given in Table 7.

**3.10 Consumer Expenditure.**—The per capita expenditure for the State is Rs 28.23 per month on various items of consumption as revealed from the data collected in preliminary result of the 19th round of National Sample Survey (*i. e.* for the year 1964-65). The per capita expenditure per month for urban areas was Rs. 31.96 while

it was Rs. 27.02 for rural areas. Moreover, only 26.6 percent of the total households spent Rs. 34 or more per capita per month. As many as 63 percent of the consumer household spend between Rs. 15 to 34. A consumer in rural area spends more than 76.7 percent of his expenditure on food items while the corresponding percentage for urban counterpart is about 67 percent. Table 8 gives percentage distribution on various items to total expenditure.

**3.11 State Income.**—Income originating within the boundaries of the State is a comprehensive indicator for measuring the sum total of all economics activities. State Income computed at constant (1960-61) prices was Rs. 572 crores at the end (1955-56) of the First Five Year Plan. The corresponding estimates at the end (1960-61) of the Second Five Year Plan is placed at Rs. 694 crores. According to the provisional estimates for the years 1964-65, 1965-66 and 1966-67, the State income at 1960-61 prices is placed at Rs. 836 crores, Rs. 791 crores and Rs. 813 crores respectively. Per capita State income at constant (1960-61) prices increased from Rs. 313 in the year 1955-56 to Rs. 339 in 1960-61 and reached peak level of Rs. 369 in 1964-65 which decreased to Rs. 340 during 1965-66 and 1966-67. During the whole period covering the Second and Third Plans, the per capita income reached the peak in 1964-65 both of at all India level and in Gujarat which were Rs. 339 and 369 respectively. The per capita State income at constant (1960-61) prices decreased to Rs. 340 in 1965-66 from a figure of Rs. 369 for the preceding year and slipped back to 1960-61 level. This sharp decline was due to considerable decrease in the income from Agriculture and Allied industries from Rs. 402 crores in 1964-65 to Rs. 341 crores in 1965-66. The per capita State income at constant (1960-61) prices remained unchanged in 1966-67 as compared to 1965-66. Table 9 shows the estimates of State income according to the primary, secondary and tertiary sectors.

**3.12 Emerging fiscal pattern.**—The fiscal pattern can be viewed in the background of the forecast of financial position of the new State of Gujarat and its successive budgets of receipts and expenditure during the Third Five Year Plan and thereafter. The Finance Committee (1960) set-up by the Government of Bombay under the Chairmanship of Shri P. C. Bhattacharya, reported on the likely post-reorganisation financial position with reference to revenue account of the new State of Gujarat. The Committee also prepared a forecast of resources for the Third Five Year Plan for the new State.

The position in 1960-61 and 1961-62 was anticipated as under :—

		1960-61	1961-62
<i>Receipts :</i>	..	(in lakhs)	(in lakhs)
Revenue receipts	..	4,028	4,105
Central Grants	..	455	Nil
Total	..	4,483	4,105
<i>Expenditure :</i>			
Revenue expenditure	..	5,293	4,471
Additional cost on Head-quarters etc.		125	125
Total	..	5,418	4,596

It was thus anticipated that Gujarat will have a deficit of Rs. 935 lakhs in 1960-61 and Rs. 491 lakhs in 1961-62.

**3.13 Third Five Year Plan.**—The outlay of 236.50 crores was estimated during the Third Plan period against which actual expenditure of Rs. 240.19 crores was incurred. The total receipts under revenue account during the Third Plan period were

278.82 crores of which total tax accounted for 199.35 crores and the share of sales tax alone was 100.09 crores. The sectoral allocation and the estimated expenditure during the Third Plan period was as under:—

Sr. No.	Name of sector	Allocation (Rs. in crores)	Estimated* expenditure (Rs. in crores)	Percentage of expenditure
1	Agricultural Production .. ..	39.34	33.52	14.0
2	Community development and co-operation ..	19.38	13.51	5.6
3	Irrigation .. ..	51.74	46.28	19.3
4	Power .. ..	46.68	65.57	27.2
5	Industries and mines .. ..	7.42	10.21	4.3
6	Transport and communications .. ..	21.70	23.21	9.6
7	Social services .. ..	49.23	47.39	19.7
8	Miscellaneous .. ..	1.01	0.70	0.3
		236.50	240.19	100.00

*Note.*— \*Exclusive of expenditure met from resources of Gujarat State Road Transport Corporation.

The tempo of development will have to be maintained in the Fourth and successive plans and rate of expenditure on increasing scale will have to be incurred on schemes under various sectors of the plans.

3.14 *Receipts and Expenditure.*—As against the above background, the picture of actual revenue receipts and expenditure of the State from 1960-61 to 1968-69 is revealed in Table 10. The budgetary position reflected in the revenue and capital account of receipts and expenditure during 1960-61 to 1968-69 is given in Table 11. Although the State showed overall deficit of Rs. 705 lakhs in the year 1960-61, it had surpluses in 1961-62 and 1962-63. There was again a deficit of Rs. 1220 lakhs in 1963-64 which came down to Rs. 218 lakhs in 1964-65. Thereafter the State has again shown overall surpluses. In spite of early fears of continued deficit, the State on the whole managed to make two ends meet, of course, not without sacrificing the tempo of development in the initial years.

The trends of expenditure show that the revenue expenditure increased every year while the capital expenditure did not show relative increase. The percentage increase in revenue receipts and expenditure in the year 1965-66 over the year 1961-62 was 92.50 and 76.33 respectively.

We analyse briefly the receipts from the Central and State Taxes in the following paragraphs.

3.15 *Receipts from the Centre.*—Receipts from the Centre are (i) share from Central taxes and (ii) Grants-in-aid. The share from Central taxes are from (a) Taxes on income other than Corporation tax, (b) Estate Duty, (c) Union Excise Duty, (d) Additional Duties of Excise.

The receipts by way of share from Centrally collected taxes and grants-in-aid are shown in Table 12. The share of net proceeds assigned to the State in 1961-62 on taxes on income other than Corporation Tax was Rs. 914 (Rs. 614+300\*), lakhs. This included the payment of lump sum from the share of Income Tax Receipts of the new state of Maharashtra (Bombay) added to that of the State of Gujarat by special agreement. The share in 1962-63 was Rs. 455.28 lakhs; it was Rs. 926 lakhs in 1967-68. During the same period the collection of Income Tax from areas in the

\* Share of net proceeds assigned under the Bombay Reorganisation Act.

Gujarat State were as shown in Table 13. The share of net proceeds of Basic Duties of Excise, assigned to the State in the year 1961-62 was Rs. 472 lakhs (314+158) while in 1966-67 it was Rs. 897 lakhs. Similarly the share of net proceeds assigned to the State from the Additional Duties of Excise under the Additional Duties of Excise (Goods of Special Importance) Act, 1957 was Rs. 398 lakhs in the year 1961-62 and was Rs. 424 lakhs in the year 1966-67. It will be seen that the share from taxes on income and excise Duties figure prominently in absolute terms in the State's share from Centrally collected taxes. It will also be observed that although income from Basic Duties of Excise has shown increasing trends (but not at the same rate at which income of Central Government from Union Excise Duties has gone up), the share from Additional Excise Duties has remained almost static.

It will be interesting to note that the State's share in Central Taxes as percentage of gross revenues of the Central Government as well as State Government shows a repeated tendency to taper off. This is due to a series of measures taken by the Government of India as a result of which either the divisible pool of shared taxes has been reduced or its growth has been checked. The changes brought about in the tax structure by the Finance Act of 1959 resulting increase in Corporation Tax at the cost of Income-Tax, has considerably reduced the divisible pool of Income tax. The Surcharges on Income-Tax was another device. Moreover, the basis of distribution of share from taxes on income has not been accepted as satisfactory by the State. Widely divergent views have been expressed before the earlier Finance Commissions by different States, ranging from distribution wholly on the basis of collection to the distribution wholly on the basis of requirements of the State.

The Government of India has under the Finance Act, 1963 levied special Duties of Excise ranging from 10 to 33 1/3 percent on the basic duties on certain commodities exclusively for its own purposes. Further, the Government of India have not adjusted the rates of Additional Excise Duties levied on Textiles, Sugar, Tobacco etc., in lieu of Sales Tax, though the basic rates of Excise Duties on these very commodities have been revised upward. The basis of collection and the principles governing the distribution of the "excess" receipts over the assured amount still remains a matter of grievance for the State Government.

3.16 *Fifth Finance Commission.*—The distribution between the Union and the States of the net proceeds and taxes which are to be divided between them and the collection between the States of the respective shares of such proceeds and the principles which should govern the grants-in-aid and the revenues of the States within the Consolidated Fund of India have been determined by the Finance Commissions appointed by the President from time to time. The Fifth Finance Commission is now appointed and its terms of reference are given in Appendix "D".

The Fifth Finance Commission is called upon to recommend amongst other things on the desirability or otherwise of maintaining the existing arrangements under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, in regard to the levy of Additional Excise Duties on Sugar, Textiles and Tobacco, in lieu of the States' Sales Taxes thereon, with or without any modifications and the scope for expanding such arrangements to other items or commodities. It has also to make recommendations, irrespective of the change, in the existing arrangements on modifications to be made in the principles governing the distribution of the net proceeds in any Financial Year of the Additional Excise Duties leviable under the 1957 Act on each of the following commodities viz.—

- (i) Cotton fabrics,
- (ii) Silk fabrics,
- (iii) Woollen fabrics,
- (iv) Rayon or art silk fabrics,
- (v) Sugar and
- (vi) Tobacco including manufactured tobacco.

In replacement of the States sales tax formerly levied by the State Government, subject to guaranteed share.



The terms of reference of the Fifth Finance Commission, it will be seen, are wider than those of the previous commissions particularly in the matter of Additional Excise Duties. The distribution and the receipts from the Central taxes and grants-in-aid will depend upon the recommendations to be made by the Fifth Finance Commission. Receipts from Additional Excise Duties in lieu of Sales Tax will be materially influenced if the Fifth Finance Commission recommends change in the scope of present arrangements and in the principles governing the distribution.

We hope that the State Government will place its view point on various matters affecting the terms of reference before the Commission, as the revenue resources of the State will depend materially on the receipts that will be available to the State on the recommendation made by the Commission.

3.17 *Receipts from State taxes.*—The major State taxes are (a) State excise, (b) Sales tax, (c) taxes on vehicles, (d) entertainment tax, (e) electricity duty, (f) other taxes and duties, (g) land revenue and (h) stamps and registration. The receipts from selected States taxes for the first and the last year of the Third Five Year Plan and for the last three years is shown in Table 14.

The percentage of land revenue to the total receipts from State taxes on revenue account in 1961-62 was 17.13 while in 1966-67, it was 10.41. The receipts under land revenue have not shown any significant rise. On the contrary, the percentage of receipts under this head to the total tax receipts is going down. The percentage of State excise to the total receipts from State taxes in the year 1961-62 was 1.14, while it was 0.82 in 1966-67. State excise forms insignificant part of total tax receipts and will remain so in view of the State's excise policy.

The percentage of Sales tax to the total receipts from State taxes in the year 1961-62 was 51.02 which rose to 57.89 in 1966-67. It is evident that the Sales Tax has not only remained a major source of State tax revenue but has yielded higher and higher revenues every year.

The percentage of motor vehicles tax to the total receipts from State taxes in the year 1961-62 was 12.51, whereas it was 6.92 in 1966-67. Although receipts in motor vehicle tax have shown consistently higher trends, there is no percentage increase.

The percentage of receipts from Stamps and Registration to the total receipts from State taxes in 1961-62 was 8.49, while it was 6.59 in 1966-67. Receipts from the combined source of stamps and Registration do not yet form a significant part of total tax revenue. The receipts from this source do not show any increase.

Electricity Duty collection goes up every year but the percentage of receipts from Electricity Duty to the total tax receipts has remained almost fixed.

3.18 *Trends of tax revenues in the States in India.*—The trends in the growth of tax revenues, land revenue and revenues from sales tax in the States in India at the beginning of the First Five Year Plan and at the end of the Second and the Third Five Year Plans reveal that contribution of sales tax was 25.86 per cent in the States' total tax revenue in 1952 which increased to 37.51 per cent in 1961-62. This trend continued progressively in subsequent years and in 1966-67 touched 46.95 per cent. The details of revenue from various sources and the proportion of land revenue to the total tax revenue and proportion of sales tax to the total tax revenue are given in Table 15.

The contribution of sales tax increased from 58.90 crores in 1951-52 to 434.00 crores in 1966-67. The notable features of sales tax were its buoyancy and flexibility in the tax systems of the States. While the rise in the land revenue has not shown any progressive trends or it has remained static, steep rise in the revenues from sales tax has been a universal feature.

3.19 *Trends in Gujarat.*—As observed, there has been growth in the tax revenue and a steep growth in the revenues received from sales tax in all the States in India during the Second and the Third Five Year Plans. Similar trends are noticed in the tax revenues of Gujarat and the sales tax has yielded progressively higher percentage

of revenue every year. The total tax receipts, receipts under revenue account, receipts under the sales tax and the percentage of sales tax to the total revenue receipts, total tax receipts and total receipts of State taxes of Gujarat are shown in Table 16.

It is revealed that net receipts under sales tax increased from Rs. 13.82 crores in 1961-62 to Rs. 35.14 crores in 1966-67. The revised estimates for 1967-68 comes to Rs. 40.07 crores and the estimated receipts in 1968-69 are placed at Rs. 45.70 crores.

Sales tax formed 30.64 per cent of the total tax receipts in 1961-62 which rose to 43.20 per cent in 1966-67. It is estimated that sales tax receipts in 1968-69 will form 45.49 per cent of the total tax receipts. Sales tax also formed 51.02 per cent of the total receipts of State taxes in 1961-62 which rose to 57.89 per cent in 1966-67. The Sales Tax receipts in 1968-69 is estimated to form 59.18 percent of the total receipts under the State taxes.

**3.20 Per capita Sales Tax.**—The per capita sales tax revenue in different States in India with population in each State is given in Table 17.

It will be observed that per capita sales tax in Gujarat is the second in the country. Incidentally, it will also be observed that the percentage of urban population to the total population is the third in the country.

**3.21 Appraisal.**—The estimates of revenue receipts and expenditure for the Fourth Plan period could not be assessed as the details of the Fourth Five Year Plan for the State have not yet been finalised and factors which go to determine the magnitude of receipts and expenditure could not be ascertained.

On the receipts side, an important factor will be the Central grants for the plan schemes. The yearwise assistance and break down of the assistance into grants and loans will depend not only on the size and content of the plan but also on the resources position of the Government of India. The receipts by way of share from Central taxes including Union Excise and Additional Excise Duties in lieu of sales tax will depend largely upon the recommendations of the Fifth Finance Commission. Similarly on the expenditure side, the revenue component of the annual plan, the increased expenditure on account of the recommendations of the Gujarat Pay Commission ( 1968 ) whose reports is now in the hands of the Government, the liability on account of increased payment of dearness allowances etc. could not be ascertained at this stage but will materially affect, in our opinion, the expenditure on revenue account during the coming years of the plan period.

It has been generally agreed that the State's functions and responsibilities should be far more extensive than in the past. The very substantial rise of the share of public expenditure of the gross national product provides statistical evidence in support of this. The basic problem of the State Government is inadequacy of the resources in relation to the functions and responsibilities and the larger requirements to cover the widening gap brought about mainly by the planning process.

The approach to the Fourth Plan was placed before the National Development Council and it indicates "to attain rate of growth of 5 to 6 per cent per annum while at the same time reducing the net foreign aid to half of the present level will call for much greater effort in raising domestic resources." The Planning Commission in its document on approach to Fourth Plan has put this figure at about Rs. 250 crores to Rs. 300 crores per year to be raised by the Centre and the States. It does not spell out the details of the avenues through which these resources will be mobilised but the instruments to be employed to raise these additional resources will include loans, profits of public enterprises through better performance and price adjustment, a more effective drive in the field of small savings particularly in the rural areas and also taking recourse to additional taxation. So far as State's resources are concerned, we believe that more resources should be conserved and found from current revenues at the existing rates of State taxes, by special drive for collection of arrears of taxes, economy in current expenditure, economy in execution of plan schemes, higher returns from

productive schemes and on capital expenditure incurred and such other measures. The efforts for collection from small savings will have to be deepened and made more broad-based. We think that even with all these, recourse will have to be taken to additional taxation but looking to the level of sales taxation at present, mobilisation of resources should be so planned that the additional taxes are collected compatible with the burden which the economy can bear.

We have kept the aspect of revenue requirements of the State in view and in making recommendations, care has been taken to see that receipts from sales tax do not fall below the current level but elements of progression, flexibility and responsiveness are introduced which should realise revenues progressively with the growth in economy.



## CHAPTER FOUR

## WORKING OF THE PRESENT SYSTEM

4.01 *Aims of the present system.*—The present system was envisaged to secure the aims viz., (a) uniformity of application and incidence in all areas, (b) simplification, (c) prevention of evasion and (d) the revenue requirements of the State. In reviewing the working of the present system, we would like to assess, at the outset as to how far the present system has served to fulfil these aims.

4.02 *Uniformity of application and incidence.*—We have observed that different systems prevailing in different component areas before reorganisation of the State in 1956 were replaced by a single uniform system applicable to the entire State under the Bombay Sales Tax Act, 1959. This Act as adapted and modified by the Gujarat Adaptation of Laws ( State and Concurrent Subjects ) Order, 1960, is extended to all the areas of the Gujarat State. Uniformity in application and incidence in all the areas of the State has, therefore, been achieved undisputedly under the present system. We have been impressed further in course of our discussions with associations and individuals that uniformity also exists in approach and enforcement of policy, practices and procedures and despite different systems and different forms of administration before the commencement of the present Act, dealers in all areas have been accustomed fairly well to the administration of sales tax in the State.

4.03 *Simplification.*— We have been told by almost all associations and individuals in no uncertain terms that the aim of simplification has not been achieved. On the contrary, it has been emphatically stated that the present system is complicated and amendments introduced from time to time have only added to the complexity. Among the various features which are stated to be savoury of complications are ; composite nature of the system ; introduction of the retail sales tax on all goods which amounts to a turnover tax and results in multiple levy ; levy of purchase tax on goods not resold within specified time ; a complicated tax structure with number of schedules ; large number of rates for different goods and even for similar goods ; different rates of tax based on price differentiation ; a long list of exemptions granted under notifications ; a system of obtaining documents and their conditions ; complicated form of return ; unnecessary formalities in regard to assessments ; complicated provisions for granting draw back, set-off and refund and above all lack of certainty, clarity and simplicity in certain concepts and definitions. The problems of simplification as highlighted before us relate to simplicity in the statute in the system and in the procedure of administration.

4.04 *Simplicity in the Statute.*— We have to observe that changes in the Law since the formation of the Gujarat State have been too many and have been made too frequently.

We are aware of the fact that incidence in the rate of tax has to be varied to meet the revenue requirements of the state but such amendments should be brought not more than once in a year by way of Annual Acts. We believe that a practice of incorporating taxation proposals in Annual Financial Acts and embodying procedural amendments into separate Bills will go a great way in making the tax effect on classes of goods or classes of dealers clearly known to the dealers concerned.

The proposals laid before the House should be well thought out and should not be subject to reconsideration soon after the passing of the amendments on grounds of inconvenience to trade or industry or possible effects of diversion which have to be anticipated before formulating the proposals.

We are told about difficulties in the interpretation of the phrase “carries on business” in the definition of ‘dealer’ which has given rise to problems like “Casual sales”. We have found that all “Works contracts” are not capable of being taxed. The word ‘manufacture’ has been defined under the Act but its interpretation in several cases led to unintended hardships and the Government had to declare many of such processes as “processes” not included in “manufacture”.

We are conscious of the fact that sometimes such concepts are settled and law laid down in such matters by judicial interpretation and precedents. We are also aware of the need for amendments in the provisions of the Act arising out of lacuna pointed out by courts of law. Occasions for such amendments should, however, be few and can be avoided by timely action by the department as soon as difficulties are confronted and also by devoting care and precision to initial drafting.

Need for logical arrangement of provisions, avoidance of conflicting provisions and clarity and lack of ambiguity in language in taxation legislation like sales tax cannot be over emphasised.

Our attention has been particularly drawn to the rules regarding draw back, set-off and refund which need substantial simplification in language and expression. We believe that either the rules should be dispensed with or being provisions of a substantive nature should find place in the Act and not be left to be provided in the Rules.

4.05 *Simplicity in the system.*—A system of sales tax has to be rational and equitable. With growing complexities in the pattern of trade and industry and increasing multitude of dealers of varying size and status, an absolutely simple system, which can take care of equity between all classes of dealers and at the same time serve the objectives of revenue requirements of the State and checking of evasion, is almost inconceivable.

We do not, however, under estimate the need for substantial simplification by way of rationalisation of the structure, simplification of the procedure and removal of certain distortions which have crept into the system. Our attention has been pointedly drawn to the scheme of retail sales tax. It was introduced as an adjunct of the two point system to provide safeguard against possible evasion but far from serving to check evasion, retail sales tax has turned out to be a multiple levy on all goods except declared goods and as a turnover tax, however low, besides causing complications, has proved to be a positive distortion in the system.

Our attention has also been drawn to instances of double taxation. A system designed to avoid double taxation has to provide for relief against double taxation which sometimes cannot be avoided by normal operation of certain provisions.

4.06 *Simplification of the procedure.*—Simplification in the administrative procedures conducive to smooth and fair working is a sinequanon of tax administration. We cannot deny the need for regulatory provisions for registration, filing of returns and payment of tax, obtaining documents and compliance with the terms and conditions of the documents, production of proof and compliance in various other ways to the requirements under the law.

Our attention has been drawn, however, to the complicated form of return which even a small dealer with nominal payment of tax has to file every quarter. It has been pointed out to us that there are number of documents, some of which can be combined. It has also been pointed out that the terms and conditions in the documents require simplification. Instances have been brought to our notice where technical breaches of declarations have resulted in heavy penalties and sometimes in prosecution. Purchases of merchandise connected with the trade are not permitted on 'C' form without impunity. Purchases of recognition are not allowed to manufacturers for such raw materials which are essential for use in the manufacture but are not specifically mentioned in the recognition certificate.

Instances have been cited before us of rigid adherence to proofs and declarations. We believe that procedure should be simple, language of the documents should be unambiguous and intelligible to dealers, conditions should be capable of being fulfilled without hardship or hindrance in normal course of trade and nature of proof demanded should be reasonable, needed for satisfaction of the decision-taking authorities.

We should stress the need for eliminating all such features which make tax compliance burdensome and complicated. We wish to emphasise that smooth and efficient

working should not be retraded by rigid interpretation, inflexible approach and lack of understanding, initiative and proper attitude on the part of those administering the Act.

4.07 *Prevention of evasion.*—The present system was devised to ensure that evasion of tax is kept to the minimum. Apart from evasion facilitated by collusion between dealers and their customers, with which we shall deal later, a system may lead to evasion of tax if it has a large exemption list, betrays lack of definiteness and precision in description of commodities to be exempted from tax, provides for rates of tax in relation to price charged or are fettered with conditions, contains anomalies and permits avoidable administrative complexities.

Our attention was drawn to as many as seven items which bear different rates of tax based on price differentiation as under :—

(i) Footwear made by hand without using power at any stage when sold at a price not exceeding Rs. 7 per pair is tax free, footwear (other than footwear declared tax free) sold at a price less than Rs. 18 per pair is taxable at 5 per cent sales tax and  $\frac{1}{4}$  percent retail sales tax, while all other footwear sold at a price not less than Rs. 18 per pair is taxable at 10 percent sales tax and  $\frac{1}{4}$  percent retail sales tax.

(ii) Similarly, handloom cloth of all varieties when sold at a price less than Rs. 15 per metre is tax free, whereas handloom cloth of all varieties when sold at a price not less than Rs. 15 per metre is taxable at 3 per cent sales tax, 2 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax.

(iii) Ready-made garments and other articles (not being garments and articles declared tax free) prepared from cotton, woollen and artificial silk textile fabric including those which have been embroidered or otherwise decorated sold at a price not exceeding Rs. 10 per article of suit are tax free, while ready-made garment sold at a price exceeding Rs. 10 per article or suit are taxed at 4 per cent general sales tax and  $\frac{1}{4}$  percent retail sales tax.

(iv) Braids, borders, laces and trimmings when sold by weight at a price of not less than fifty paise per 10 grams or when sold by length at a price of not less than fifty paise per metre are taxed at 8 percent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax.

(v) Mathematical instrument boxes sold at a price not exceeding Rs. 3 each and colour boxes sold at a price not exceeding Rs. 2 each are tax free. Looking to the price of mathematical instrument boxes which are not sold at less than Rs. 5 on an average, the price differentiation besides causing difficulties leads to evasion.

(vi) Glassware, chinaware or articles made of porcelain adapted for domestic use when sold at a price not less than one rupee per piece and glazed earthenware adapted for domestic use when sold at a price not less than Rs. 120 per article are taxed at 10 per cent sales tax and  $\frac{1}{4}$  percent retail sales tax. The words "for domestic use" are capable of loose interpretation. An explanation is added that one cup and one saucer and any vessel and its lid sold shall be deemed to be one piece. However, a tea set or a dinner set which is sold in one complete set is considered as separate pieces of cups, saucers, milk pot, kettle etc. Further, glassware, chinaware or articles made of porcelain and glazed earthenware adapted for domestic use other than the above are taxable at 3 percent sales tax and  $\frac{1}{4}$  percent retail sales tax.

(vii) In the case of sarees, embroidered or otherwise decorated, lot of complications exist because of large number of entries based on price differentiation. Sarees which are not embroidered or otherwise decorated are tax free. Sarees which are embroidered or otherwise decorated in the weaving process are also tax-free. Sarees embroidered or otherwise decorated and sold at a price not exceeding Rs. 12 per piece are taxed at 2 percent sales tax, 2 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax. Sarees embroidered or otherwise decorated sold at a price exceeding Rs. 12 but less than Rs. 18 per piece are taxed at 5 percent sales tax, 2 percent

general sales tax and  $\frac{1}{4}$  percent retail sales tax. Again, sarees embroidered or otherwise decorated sold at a price not less than Rs. 18 but less than Rs. 30 per piece are taxed at 8 percent sales tax, 3 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax, while sarees embroidered or otherwise decorated sold at a price not less than Rs. 30 per piece are taxed at 10 percent sales tax, 3 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax. We have been told that mere tying of ends without use of any material or skill is being treated as decoration and a saree which is normally tax-free becomes taxable at a high rate of tax on the entire value by addition of mere labour of few annas. We have been definitely told by the dealers that on account of all these complications, a practice of manouvering the cash memos has developed which leads to evasion of tax.

An anomaly was pointed out to us about cones used for packing yarn. As the entry of packing materials in the schedule is exhaustive, no other commodities which are used as packing materials but not specifically included in the entry are treated as packing materials.

All these instances have convinced us that lack of definiteness and precision in the description of commodities to be exempted or taxed, different rates of tax based on price differentiation and other anomalies not only lead to complications but also lead to positive evasion of tax.

4.08 *Impaction dealers.*—No review of the working of the system will be complete unless its impact on dealers, who come in contact at various stages in the administration is studied. Registration of dealers who are liable to pay tax is the first stage when dealers come in contact with the department. The most crucial stage, however; is that of assessment when dealers are called with their books of accounts for verification and assessments. The third stage is the collection or recovery of tax from the dealers under various processes under the Act. There are certain incidental measures arising out of enforcement and vigilance which also might touch some dealers in one way or the other.

4.09 *Registered dealers and documents-holders.*—The number of registered dealers on the formation of Gujarat State was 39,691 under the Bombay Sales Tax Act, 1959 and 18,075 under the Central Sales Tax Act, 1956. By 31st March 1967, the number rose to 73,239 dealers under the Bombay Sales Tax Act, 1959 and 41,311 dealers under the Central Sales Tax Act, 1956. Table 18 shows the number of registered dealers year to year after the formation of Gujarat State. It will be seen that there has been steady increase in the number of dealers every year. The growth in the number of registered dealers under the Central Sales Tax Act has been more pronounced in certain areas.

On the formation of the Gujarat State, there were 5,767 Licence holders, 1,247 Authorisation holders, 3,207 Recognition holders and 515 Permit holders. The position as on 31st March 1967, is 10,830 Licence holders, 1,807 Authorisation holders, 4,000 Recognition holders and 399 Permit holders. There has been a rise in the number of Licenced dealers and slightly in the number of Authorisation holders and Recognition holders also. The number of Permit holders has gone down. The growth in the number of document holders year to year after formation of Gujarat State is also shown in Table 18.

Table 19 represents the position of number of registered dealers and the document holders in each range as well as each district as on 31st March, 1967.

4.10 *Dealers according to turnover groups.*—Sales Tax Survey conducted in the year 1962-63 revealed the position of dealers, their net turnover and taxes paid by different ranges of sales as shown in Table 20. The survey also gives the dealers, net turnover and taxes paid by different ranges of tax (Table 21). Classification of dealers according to turnover for 1965-66 is given in Table 22. It is revealed that 37.20 percent of dealers fall within the turnover group from Rs. 0 to 50,000. The number of such dealers is 24,428 whose total turnover is Rs. 55,85,06,195 i. e. 2.42 percent only and the tax paid by dealers in this group is Rs. 99,14,376 i. e. 5.31 per cent only. The number of dealers falling within

the turnover group of Rs. 50,000 to Rs. 1,00,000 is 10,879 which is 16.61 percent of the total number of dealers. Total turnover of dealers in this group is Rs. 79,51,77,142 and tax paid by them is Rs. 1,06,53,123 *i. e.* 3.43 percent and 5.71 percent respectively. An analysis of further turnover group shows that number of dealers falling within the turnover group between Rs. 1,00,000 and Rs. 5,00,000 is 18,911 *i. e.*, 28.88 percent the total turnover of dealers in this group comes to Rs. 4,28,40,19,467 which is 18.50, percent. Total tax paid by dealers in this group is Rs. 4,40,13,275 *i. e.*, 23.58 percent. About two-thirds of the total tax paid by the dealers comes from dealers whose total turnover is more than Rs. 5,00,000 and who form not more than 9.69 percent only of the total number of dealers in the State.

4.11 *Reasons for growth.*—The rise in the number of dealers is accounted for by various reasons. The main factor is the growth in economy which brings number of new industries and trade into existence. The growth in economy also accounts for higher turnover of dealers who are required to be registered on account of their having reached the limit of liability. The increased value of turnover is influenced further by inflationary trends in prices.

4.12. *Assessment.*—There were 1,25,567 cases of assessments pending under the Local Sales Tax Act and 28,999 cases under the Central Sales Tax Act, 1956 on the formation of Gujarat State. There has been progressive rise in the number of new assessments to be carried out every year. The number of assessments, new cases added for assessments and the cases assessed year to year under Bombay Sales Tax Act, 1959 and under Central Sales Tax Act, 1956, are shown in Table 23(a) and 23(b) respectively.

It is revealed that there was heavy arrears of assessments on the formation of Gujarat State. The position did not improve materially for initial two years. Efforts have been made in later years to cope with the clearance of assessments every year but the old cases are still in arrears. The break up of the range-wise pendency of the assessments is shown in Table 24. The number of assessment cases in arrears under the Central Sales Tax Act appeared to be high and efforts made in later years appear to have shown clearance of arrears under the Central Sales Tax Act. The overall position cannot, however, be regarded as satisfactory, as in our opinion no case of assessment should be kept pending for more than two years from the date of filing the last return.

4.13 *Appeals.*—There were 3653 appeals pending under the Local Sales Tax Act and 4 appeals pending under the Central Sales Tax Act, 1956 before the appellate authorities on the formation of the Gujarat State. As a result of expeditious disposal of assessments in the later years, the rate of filing of appeals had increased. The number of appeals, at the beginning of the year, appeals filed during the year, appeals disposed during the year and appeals pending at the end of the year are shown for the period from 1964-65 to 1966-67 under the Bombay Sales Tax Act, 1959 and under the Central Sales Tax Act, 1956 respectively in Tables 25(a) and 25(b).

It is observed that although a good number of appeals have been disposed off every year, the arrears at the end of each year have gone up and special efforts are necessary to cope with the clearance of appeals in arrears.

There were 657 Second Appeals and Revision Applications pending before the Deputy Commissioner of Sales Tax on the formation of the Gujarat State. The number of Second Appeals and Revision Applications pending in the beginning of the year, applications disposed off and applications pending at the end of each year under the Bombay Sales Tax Act and Central Sales Tax Act respectively are shown year to year in Table 26(a) and 26(b).

4.14 *Collection.*—The receipts from Sales Tax has increased from year to year after the formation of the Gujarat State. The total receipts was Rs. 10.53 crores in 1960-61 which rose to 40.07 crores in 1967-68. The year to year collection of sales tax is shown in table 14. Districtwise collection of sales tax during 1961-62 and 1967-68 is shown in table 27. The cost of collection is 1.49 per cent in 1966-67 and kept down although the collections are increased as will be seen in table 27(a).



The increase in the sales tax receipts is due to the increase in the number of dealers and their turnover due to economic growth and also inflationary trends in prices. The increase is also due to additional tax effort by raising the rate of tax on certain commodities as also by bringing more commodities under tax.

About 90 per cent of the collections come with the returns. The position of initial defaulters is kept under-check by a system of initial scrutiny of returns.

4.15 *Outstanding recoveries.*—On the formation of Gujarat State, the outstanding recoveries under the Bombay Sales Tax Act were of the order of 77.61 lakhs, while under Central Sales Tax Act and Motor Spirit Act, .37 lakhs and .55 lakhs respectively. The outstanding recoveries at the end of March, 1967, under these Acts were Rs. 164.16 lakhs, Rs. 33.82 lakhs and Rs. 2.10 lakhs respectively. The details regarding outstanding recoveries, demand raised during the year and outstanding at the end of the year in respect of Bombay Sales Tax Act, Central Sales Tax Act and Motor Spirit Taxation Act are shown yearwise in Tables 28(a), 28(b) and 28(c). Although efforts have been made to keep the outstanding recoveries under check, the demand raised every year goes up and efforts have to be made to effect recoveries not only against the demand raised but also of the arrears in the previous years. The effort for recovery of arrears can be judged by the percentage of total outstanding to the total collection in each year. The total collection, the total outstanding and the percentage of total outstanding to the total collection are shown in Table 29.

Although the arrears appear to be sizeable, recoveries cannot be effected in large number of cases for various reasons, such as stay orders of the courts, Proceedings pending before Collectors, recoveries not effected because whereabouts of the dealers are not known and such other reasons. A break up of the recoveries outstanding on account of several reasons is given in Table 30.

4.16 *Enforcement and Vigilance.*—The enforcement work relates to survey and investigation into the complaints received, visits and search of the places of business, seizure of the books of accounts and assessments of cases including cases where books are seized. Vigilance work chiefly consists of the collection of intelligence from diverse sources, such as imports from air port, sea port, railway, municipal and customs naka, special surveys of traders like fire crackers, kites etc., and special commodities like bricks, cotton, groundnuts etc.

The enforcement activity serves as a check on tax evasion and had deterrent effect on tax evaders. In the year 1966-67, 1,579 complaints were investigated which realised an additional tax of Rs. 20.64 lakhs. The rangewise position of seizure and non-seizure cases is shown in Table 31. The rangewise information for the year 1966-67 in respect of the cases investigated and additional tax realised is shown in Table 32. The result of vigilance measures is expressed by the number of entries collected, entries cross checked, the number of unregistered dealers brought to book and amount of dues for the year 1966-67 is shown in Table 33.

4.17 *Observations on the working.*—There has been considerable expansion in the activities of the department after the formation of the Gujarat State. The number of registered dealers has progressively increased with consequent rise in revenue and the administrative work regarding registration, returns, assessments and collections of tax has increased manifold.

There were undoubtedly initial difficulties on account of the applicability of the new Act to different areas of the State both to the administration and to the dealers. By and large, however, administration had adjusted to the requirements and the dealers became used to the administration of the Act.

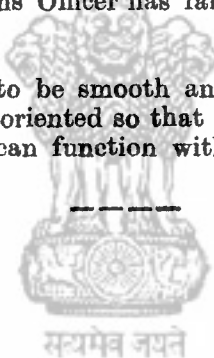
Though there is not much change in the organisational pattern, the administration has been tuned to the new needs and the demands. There is, however, much to be desired for the change in attitude of personnel and improvement in their strength and efficiency. The working of the Act has not been smooth and certainly not without difficulties and hardships to dealers.

Although no instances of delays in registration and granting of documents were cited, difficulties experienced by the dealers in cancellation of documents and in the fulfilment of the conditions of documents have been pointed out. Retail sales tax caused hardship to small dealers who were required to file returns and make payment into the treasury of small amounts arising only out of the retail sales tax liability.

Most of the collections come along with the returns but the built-in checks have to be employed to keep down the defaulters' percentage. Small dealers particularly experience difficulties in filing quarterly returns and in attending sales tax offices frequently for their assessments. The department appeared to be devoting more time on cases which did not yield substantial revenues. A scheme of simple assessment has been brought into force but it has failed to catch the imagination of the dealers for whom it was meant nor has the administration changed its approach in dealing with assessments of small dealers. A radical departure in the procedure and approach in assessments seems inevitable. The appellate officers have sometimes rigidly followed provisions regarding pre-payment of amount in dispute without using discretion vested in them resulting in some cases in denial of right of appeal. The appellate officers have failed to create an impression of independence of their judgment. Fixing of back liability in many cases without limit caused hardship to dealers. There were complaints of seized books not being returned for considerable time after seizure.

There is woeful lack of simple amenities and facilities in the offices of the Sales Tax Officers. The Public Relations Officer has failed to create an impact of his position.

The working of the Act has to be smooth and simple and the approach and attitude of personnel have to be reoriented so that while ensuring basic objectives to be secured, the administration can function without giving any scope for public complaints.



## CHAPTER FIVE

## SYSTEM OF SALES TAX

5.01 *Development of systems in India.*—We do not think it necessary to enter into details of the chronological development of different systems of sales tax in India. The development and operation of tax systems was dealt with at some length by Taxation Inquiry Commission ( 1953-54 ) appointed by the Government of India. As observed by the Commission, the course of development of systems in various States of India was influenced by three factors *viz.*, (1) origin of the system, (2) adaptation of the system to growing financial needs and (3) adaptation of the system to conditions created by the Constitution.

5.02 *Changes after Taxation Inquiry Commission.*— Since the survey was made by the Taxation Inquiry Commission in 1953-54, significant changes have taken place in the system or structure of sales tax in different States. A brief outline of the systems existing in different States in India is given in Appendix 'E'. It will be observed that a few States have either revised the system or altered the points of levy while almost all the States have enlarged the coverage of goods, stepped up the rate and have adopted a minimum level of higher tax on certain special goods based on agreement among all the States. We have noticed that changes in the structure and rates of tax have been compelled by economic factors and much more by urge to meet growing financial needs under the Second and Third Five Year Plans. Systems adopted by all the States have been used to yield the maximum revenue consistent with the local economy.

A broad survey of systems existing in different States also revealed to us that the States originally adopted selective sales tax, later developing into systems which either conformed to what is known as a 'single point system' or a 'multi point system'. Many States have been prompted to adopt mixed features of both the single point and multi point sales tax with a combination of purchase tax and/or turnover tax. Changes adopted from time to time have introduced features which render scientific classification difficult. By and large, however, a prevailing system can be described by its preponderating characteristics which may take the form of predominantly a single point system or a multi point system.

We have observed that evolution and character of sales tax systems though conditioned by local economy and revenue needs of the States have unfolded in an empirical fashion. States which have enjoyed high industrial development or advanced manufacturing conditions or which enjoy outstanding urban trade, have settled down to predominantly single point system preferring to levy tax at a suitable stage between production of goods and their sales to consumers though not unmixed with other features. States with predominantly rural economy or comparatively backward conditions of trade have rested on multi-point tax with combination of single point tax on selected commodities. By and large, we find mixed patterns.

The growth of tax systems in foreign countries is as chequered as in different States in our country. In spite of the complexity peculiar to modern systems, the trend is towards elimination of virtually all multiple application or to use the French term 'CASCADE' features of the tax system. It is the experience of almost all the countries that no system is found ideal for all conditions or is regarded perfect in its operation and there has been a "constant search for simplicity, greater equity, overall administrative feasibility and economic neutrality".

5.03 *Principal systems of Sales Tax.*—Several committees on Sales Tax in the past have gone into the details of the systems, their features and have also discussed comparative merits and demerits thereof. The Bombay Sales Tax Enquiry Committee, 1946, while discussing the advisability of imposing a general turnover tax dealt with comparative merits of the single point tax and the general turnover tax. The Taxation Inquiry Commission (1953-54), while considering the general sales tax, referred to two main varieties, the multi-point and the single point. It also referred to the double point system, as a sub-variety of the single

point system. A studied analysis of the basic system of sales tax is also found in Review of Sales Tax System in Andhra Pradesh by Dr. P. S. Loknathan. The Sales Tax Enquiry Committee (1957-58) also made brief reference to systems while arriving at choice of a system of sales tax in the Bombay State. It seems unnecessary to reiterate the details of the system, their features and their advantages and disadvantages.

5.04 *System—a process of evolution and design.*—A pragmatic study of the systems of sales tax leads us to assume that system, as a strategy to levy tax, stems from economic conditions and fiscal motives. A system is moulded by conditions and it also helps to mould conditions. It is, therefore, partly a result of ordained disposition and partly a matter of choice and design. What conditions we want to create, provides motivation for change, while the conditions already created, confront inhibition to it. System, in our opinion, is thus a process of both evolution and design.

5.05 *System as an instrument of policy.*—A further analysis has convinced us that countries and States have adopted systems, changed them and moulded them to serve their objectives but all have employed the system of sales tax as revenue raising source and, to varying degrees as an instrument of economic policy. In recent years there has been considerable expansion of expenditure for economic and social end. The shape of the systems of sales tax would depend on the purpose of the tax which has been and will be for number of years to come in this country to raise revenue.

5.06 *Principles underlying a system.*—The principles which underlie a system of sales tax like any other tax depends upon the purpose of the tax. As the purpose of the tax has been and will have to be to raise revenue and also to subserve the economic and social ends, the efficacy of a good system will depend in our view, the extent to which a balance of the objectives is secured. We are in accord with the normally accepted principles of a sound tax system *viz.*, that the burden of taxation should be spread as evenly as possible having regard to ability to pay; that tax should be equitable; that it should be universal; that it should not be discriminatory between individuals or class of individuals similarly placed; that the tax should be easy to administer and should be simple to understand. We also agree that a tax system should be such as will foster production, encourage free flow of trade, regulate consumption and conform to national export policy. It should also satisfy revenue needs, prevent evasion and cause no distortion or diversion of trade. It is on the touchstone of these objectives and principles that a system which we advocate will have to stand.

5.07 *Built-in responsiveness.*—In advocating a system, we shall have due regard, amongst other things, to (a) revenue requirement of the State and (b) prevention of avoidance or evasion of tax. The terms of reference also enjoin on us to keep these in view. We have examined in a separate chapter earlier the fiscal pattern and the trends of revenue and expenditure with special reference to the increasing role of sales tax in the State's revenues. We believe, however, that any system which we conceive should possess a built-in responsiveness and should be so tuned to economy that it responds increasingly with the growth in economy.

5.08 *Built-in safeguards against evasion.*—We shall similarly deal with details regarding extent of evasion, prevention of evasion and methods and machinery to check evasion in a separate chapter. We believe, however, that the system of sales tax should in itself contain built-in-safeguards against evasion. We have already referred in our discussion on economic pattern that a system will serve best if it takes into account economic implications. It should stem from economic conditions and it should also take into account the changes in economy, particularly impact of high industrialisation, changing pattern of distributive trade, prices and the incidence of tax which a commodity can bear without providing incentive to evasion of tax or leading to diversion of trade. The system should also leave no loop-holes for evasion.

5.09 *Representations on system.*—We shall now turn to the consideration of the suggestions which we have received on the system of sales tax.

We received suggestions on the change in system and on the total removal of retail sales tax, change in the system of levy of purchase tax, system of documents and limits of turnover for liability in so far as they form an integral part of the system as a whole.

As for the change in system, almost all the associations and individuals have expressed their choice in favour of a single point system. This was advocated more on the ground of the simplicity of the system. None has favoured multi-point system. On the contrary, it is discarded by all as being unsuitable to conditions in our State. In their choice for a single point system, some have suggested levying first point tax on all commodities as far as possible while some have suggested single point first stage tax on selected commodities and the single point last stage tax on the remaining commodities. The double point tax was not favoured.

5.10 *Multi-point system discarded.*—We have given careful thought to all the suggestions received on the system. None has favoured pure multi-point system. We also do not consider multi-point system as suitable to conditions in our State. It was tried out in the year 1952 but had soon to be given up on account of difficulties experienced particularly by large number of small dealers. We, therefore, rule out the multi-point system from the present consideration.

5.11 *Stage of levy in a single point system.*—We have analysed the suggestions received in favour of single point system. There were different suggestions as to the point of levy even amongst those who advocated single point system. Many suggested levy of single point tax on sales by manufacturers, some have suggested levy on sales by last wholesalers in the chain to retailers, while some, who were very few in number, suggested single point tax to be levied on sales by retailers only.

5.12 *Retailer's stage sales tax.*—An overwhelming opinion was against the retailer's stage sales tax as it practically meant passing all the burden of collection and compliance on relatively very large number of small dealers. Looking to the pattern of retail trade which is not well organised everywhere and which is yet carried on in most cases by small shop-keepers as a family business and looking to the inadequacy of the records maintained by them, we have no doubt that retailer's stage sales tax would cause unnecessary hardships to a very large number of small dealers who will have to be brought under its fold. It has been pleaded by many associations while making suggestions on the turnover limits that the present turnover limits of Rs. 30,000 for resellers should be raised. In a system of tax on sale by retailers it would be inadvisable to keep a higher limit. A higher turnover limit will keep a large number of dealers out of the taxing net and besides resulting in escape of tax, will encourage unfair competition between non-registered dealers and dealers who are liable to pay tax. On overall considerations as well as on grounds of administrative feasibility, we do not recommend retailer's stage sales tax.

5.13 *Manufacturer's stage sales tax.*—We have further analysed the arguments advanced for single point levy at manufacturers' stage alone. There is no doubt that single point tax on sales by manufacturers will be simple and will not bring in the problems of small dealers who will be subsequent purchasers of goods which have suffered tax at a previous stage. Looking to the present stage of industrial development and lack of diversification of industries, it is however, clear that not all goods, nor even all consumer's goods, are manufactured in the State. There are also a large number of producers including artisans and craftsmen who may have to be brought within the taxing net, if the stage of production alone is chosen for tax. The development of trade pattern clearly indicates that for all imported goods, manufactured goods and goods produced in the State, a middle channel of wholesalers is an important link in the chain. We, therefore, think that a single point tax at the stage of manufacturers alone may not deliver the goods.

5.14 *Wholesaler's stage.*—Sales tax at wholesaler's stage is generally imposed on the wholesale transaction, that is, on the sale by the last wholesaler or by a manufacturer to a retailer. We think that even in a single point system, advocated before us, it is advantageous to levy first stage tax which will be paid by the

manufacturers or other producers and importers and last stage tax at the stage of sale of the last Licensed dealer who may be a wholesaler or a semi-wholesaler. Last point tax at the stage of sale of the last Licensed dealer in the chain of wholesalers is preferred, in our opinion, as in the present economic conditions of trade, a large volume of intermediary sales will be kept out from the burden of tax. It will enable low incidence of tax to be kept on commodities to be taxed at the last stage. The dealers are used to a system combining levy of tax at the last wholesaler's stage, which has imparted administrative simplicity by avoiding multiplicity of refund and set-off claims.

5.15 *Selection of goods for levy at the first stage.*—We agree, however, that a careful thought should be given in selecting commodities for taxation at the first point or at the last point so that as many commodities as could be taxed at the first stage should be considered for single point levy at the first stage. We think that all goods which pass through comparatively small number of stages to the consumer and which pass through known and established channels should be selected for levy at the first stage. All important raw materials for the industries, packing materials and such other goods which are of special importance to the industry, can, in our opinion, be selected for levying of tax at the first stage. Other luxury goods or consumer's goods which are in the nature of specialised demand and which are distributed through known and well established channels can also be taxed at the first stage.

5.16 *Selection of goods for levy at the last stage.*—We find that there are large number of primary and agricultural products which it may be convenient to tax at single point last stage. We have carefully selected such goods but have kept their number at the minimum.

5.17 *Selection of goods for two point levy.*—We find that having selected goods for levy of single point tax at the first stage and also goods for levy of single point tax at last stage, there are goods which pass through either comparatively larger number of channels or pass through channels which cannot be controlled and identified and for which higher incidence of tax at one stage may not be advisable. In our opinion, it will be advantageous in such cases to split up the tax at the first point and the last point, keeping a fixed incidence of tax at the last stage and the balance at the first stage. We also find that in a system of sales tax, having selected as large number of commodities as possible for the single point levy, there will be residuary goods which it may be necessary and advantageous to subject to double point levy.

5.18 *Disadvantages of purely single point system.*—A purely single point system is not in existence in any of the States in the country. Such a system has to be selective in character and incidence of tax has to be kept sufficiently high to ensure the desired amount of revenue. Many States have, therefore, adopted a system in which most of the goods which we have proposed for single point levy at the first stage are taxed at the single point while all other goods are subjected to multi-point levy. As we have discarded the multi-point levy, we do not want to propose a system which is a combination of multi-point levy.

We believe that a purely single point system at the present stage of development will not yield the necessary revenues. To obtain the optimum sum of revenue, the entire impact of tax will be concentrated on a group of business firms and establishments. This may lead to evasion of tax as the incidence of tax will have to be kept sufficiently high. It will also not ensure levying of tax once it has escaped at the first stage. As no State, including neighbouring States, has a purely single point system, with the attendant higher rates of tax, adopting a system of that kind with high incidence of tax is bound to create diversion of trade.

We think, therefore, that the system in the present circumstances should be predominantly a single point system but the disadvantages of a purely single point system should be eliminated by a combination of a limited double-point levy. The two-stage tax will avoid evils of multiple tax, will leave no discrimination or provide incentive to integration and will permit the adoption of lower rates of tax than

would become necessary in a purely single-point system and will spread the impact of burden which is a distinct advantage over either a purely single-point system or a purely multi-point system.

In our choice, therefore, between a purely single point-system and a double point one, we suggest a system for pragmatic reasons, in which all the advantages of the single-point system will be combined with the advantages of a double point one and the apparent disadvantages are eliminated as far as possible.

5.19 *Retail Sales Tax.*—We have already observed that retail sales tax was introduced as an adjunct of the two-point system but with all its features, has proved to be a positive distortion in the system.

It has been represented before us very vehemently that the retail sales tax must be totally removed. Removal of retail sales tax was urged on the ground that it became a turnover tax and a multiple levy, that it caused discrimination between a Licensed dealer and a registered dealer, that the dealers had to maintain separate accounts of purchases from the Licensed dealers only on account of the retail sales tax, that small dealers paying retail sales tax were not in a position to show tax separately and had to bear in their margin of profit, that it failed to serve as a safeguard against escapement of tax as originally intended and that the levy of retail sales tax on goods specified in 'C' and 'D' schedules had gone far beyond the original intention to levy tax on retail sales of Schedule 'E' goods only.

We have carefully considered the arguments advanced before us. While considering them, we have taken into account the reasons given by the previous committee which recommended levy of retailer's turnover tax, and also the discussion of the bill in the assembly in support of the measure.

The previous committee did not mince words in recommending retail sales tax as "Retailer's turnover tax" to be paid by a retailer at a rate of 0.25 per cent of the aggregate of his sale price. It is no doubt a turnover tax and if retail sales tax has to be levied, it will be only on the aggregate of the sale prices. We do not therefore, see any incongruity in the retail sales tax operating as a turnover tax.

We agree that the retail sales tax in the present form causes discrimination between a Licensed dealer and a registered dealer. However, this discrimination can be removed, in our opinion, by amendment in the provision if the retail sales tax is not removed altogether. But for reasons stated hereafter, this alone would not go far in supporting a case for retention of retail sales tax.

There is no doubt, however, that retail sales tax becomes a multiple levy in its present application. The retail sales tax has turned out to be a multiple levy on all goods except declared goods and as a turnover tax does not fit in with the system of two point levy. In the system which we recommend, a retail sales tax in addition to the sales tax and the general sales tax should have no place without causing distortion.

We are also told about the difficulties of the dealers, particularly small dealers who are required to file returns and to make payment into the treasury of small amounts only on account of the retail sales tax. If retention of retail sales tax were justified on other grounds, we do not think that the difficulties of compliance with the requirements only on account of retail sales tax should be considered so unsurmountable as to justify the abolition of retail sales tax.

We, however, do not favour retention of retail sales tax mainly on two grounds which are very sound and valid in our opinion. Firstly, the retail sales tax has not fulfilled the original intention of serving as a check on escapement of tax and in coverage has been extended far beyond its scope and secondly, it does not fit in with the system and is a positive distortion. We are fortified in our view not only by the opinion of dealers but the officers connected with the administration of sales tax also stated that the retail sales tax did not serve any purpose in checking or detecting possible evasion of tax. The retail sales tax on the other hand, has brought in several complications



as it covers all goods and has lost its character as a "Retailer's turnover tax". We think that these grounds are so overwhelming that retention of retail sales tax in modified form would also not be justified.

We know it as a matter of fact that retail sales tax was not introduced as a measure primarily to fetch revenue but by the flux of time, the State does get sizeable revenue from this source. We are told that the revenue from retail sales tax in the year 1966-67 was in the neighbourhood of Rs. 99.60 lakhs. Although retail sales tax was not intended to be a revenue measure, we cannot ignore revenue aspect altogether in considering removal of retail sales tax at this stage. We have very carefully considered this aspect also. We think that arguments against retail sales tax are so overwhelming that its retention would not be justified as a source of revenue. We think that the loss of revenue arising out of the removal of retail sales tax will be compensated by the rationalisation of the rates of tax and particularly an increase of one percent incidence on the commodities falling under the residuary entry, as recommended by us hereafter.

We, therefore, recommend that retail sales tax should have no place in the system which we recommend and that the retail sales tax should be totally removed.

**5.20 Purchase tax.**— The purchase tax is levied at present under various provisions as under :—

(a) Where a dealer purchases any taxable goods from a person or any Government who or which is not a registered dealer provided that the goods so purchased are not resold by the dealer within a period of twelve months.

(b) On the purchase price of the goods purchased under a certificate and contrary to such certificate the goods are used for another purpose or are not resold or despatched in the manner and within the period certified.

(c) On the purchase price of taxable goods held in stock and purchased from an unregistered dealer or against the certificate.

(d) On the purchase price of goods purchased against declaration under section 41 when recitals of such certificates are not fulfilled, and

(e) On the turnover of sugar-cane purchased for use in the manufacture of sugar.

Suggestions have been made before us that there should be no purchase tax but there should be only sales tax levied on sale of goods. On the other hand, it was suggested that there should be purchase tax levied only on the point of first purchase of taxable agricultural produce. While making the suggestions, it was stated that if purchase tax is to be levied to safe-guard the interest of revenue and to control avoidance or evasion of tax, it should only be levied when the goods are used in manufacture of goods for sale and that it should not be levied on resale of goods.

We have examined the suggestions in light of the purpose for which the purchase tax was recommended by the earlier committee. The complications arising out of the earlier provisions of the law providing for the election to pay the sales tax instead of purchase tax do not exist under the present Act. The previous committee observed that in any scheme which incorporates levy wholly or partially at the first stage, purchase tax must be provided as a safeguard against avoidance of tax on considerable scale though not amounting to evasion. We fully agree with this view. However, we also agree that purchase tax should not be levied in addition to sales tax or purchase tax should be levied in lieu of sales tax on the lines of the system of purchase tax in the United Kingdom. There will be circumstances however, where purchase tax should be levied, where no sales tax would accrue. On these principles, purchase tax levied under circumstances stated in (a) to (e) above should be continued.

When the goods are purchased under certificate or under declaration under section 41 and are not used for the intended purpose, a provision of purchase tax will secure the legitimate tax to the State. A provision for purchase tax on the purchase price on taxable goods held in stock and purchased either from an unregistered dealer or against



a certificate would be justified as no sales tax in such circumstances accrues to the State. As for the purchase tax on the turnover of sugar-cane, it stands on a different footing and the intention is clearly to levy purchase tax on sugar-cane which is used in manufacture of sugar on which no sales tax is leviable.

All the suggestions pertaining to purchase tax emanated from dealers mostly on account of the hardship experienced by some dealers who are not in a position to resell the goods purchased within a period of twelve months or in whose case it becomes difficult to identify whether the goods purchased are resold within the period. We see no objection in removing the time limit prescribed under the present provision of the law. The removal of time limit will not result in loss of tax to the state but will certainly remove the handicap at present experienced by the dealers and also by the administration. We, therefore, recommend that as a part of the system, which we recommend, while purchase tax should be continued to be levied in the circumstances contemplated under the present provisions of the Act, the time limit prescribed in Section 13 should be removed.

5.21 *Turnover limit.*—‘Turnover limits’ is a device introduced in a system to confine its operation to a class or classes of dealers with given turnover limits. Every dealer whose turnover either of all sales or of all purchases made during the year has exceeded or exceeds the relevant limits is liable to pay tax on his turnover of sales and on his turnover of purchases. We have already referred to the existing limits of turnover for importers, manufacturers and other dealers.

It has been represented before us by large number of associations that the present turnover limits for dealers other than importers and manufacturers should be raised from Rs. 30,000 to Rs. 50,000. Some of the associations have even proposed to raise limit upto Rs. 60,000 or even more. Similarly, it has been represented that the limits of importers and manufacturers should be raised to Rs. 30,000. The arguments advanced in support of various representations made were based mainly on the ground that looking to the rise in price in recent years, a dealer with a turnover limit of Rs. 50,000 or 60,000 had an effective turnover of the same amount of goods as a dealer with turnover limit of Rs. 30,000 used to have at the time when the present limit was considered.

We have examined all the suggestions received by us. We have also considered the view of the previous committee which recommended the present limits. We have also noted that the turnover limits for importers and manufacturers were raised from Rs. 10,000 to Rs. 20,000 recently, although we are unable to appreciate reasons which led the Government to raise the turnover limits. We have collected information on turnover limits in the various states in India which is given in Appendix F.

The minimum turnover limits, in our opinion, have little or no relation to the prevailing price as such but the limits have to be fixed generally in relation to the general economic and trade conditions and administrative feasibility. We think that to prevent escape of tax, a priori there is no reason why every manufacturer or importer should not be made liable to pay tax. The only limitation, in our opinion, would be to keep out such manufacturers who are really small manufacturers or producers and for whom there are inherent difficulties to maintain accounts and it may be administratively inconvenient if all of them are made liable to pay tax. However, turnover limits for importers and manufacturers should not be kept high and we do not see any reason for keeping the limit of turnover for importers and manufacturers on the same level as that of resellers.

In this connection, we have already referred to the difficulties experienced by small manufacturers, village artisans and craftsmen and certain special establishments. As the present provisions of law do not make any distinction between a ‘manufacturer’ which is a big organised industry and a ‘Manufacturer’ who is merely a small manufacturer or artisan or craftsman or a small establishment like farsanwala, hotel keeper etc., they will all be liable to pay tax on reaching a lower turnover limit for manufacturers. In order, however, to remove difficulties experienced by large number of such small dealers, Government has taken resort to exempt their sales upto a limit of Rs. 30,000. In effect, this amounts to keep a lower limit of turnover for purposes of registration for

such dealers and limit of Rs. 30,000 for purposes of liability, while the basic approach of the Act is to fix the same limit of turnover for the purposes of registration and liability for all dealers alike. The previous committee was also guided by this view when it categorically observed that it did not find any need for a system of compulsory registration on the basis of a limit of turnover lower than that prescribed for liability to pay tax. It was accepted however, by the previous committee that as few small dealers as possible should have to comply with the procedural requirements of sales tax and it did not, therefore, advise that a dealer who does not have to pay tax either on his sales or purchases should require to obtain registration. In order to implement this suggestion with which we fully agree, we propose a straight forward course of keeping a special higher limit of turnover for such small manufacturers, village artisans or craftsmen or certain special establishments.

We recommend, therefore, that the limit for such special category of dealers should be kept at Rs. 30,000 and such special category of dealers may include the manufacturers in whose case the turnover limit is raised to Rs. 30,000 by notifications issued under section 41 or artisans and craftsmen and special establishments for whom such exemptions have been considered in the past.

We consider that the following classes of dealers would fall in the special category :—

- (1) Dealers who carry on business of conducting printing press.
- (2) Dealers who are manufacturing footwear made by hand without using power at any stage.
- (3) Dealers who are engaged in the process of parching, roasting or salting groundnut seeds or ground nut and cereals and pulses.
- (4) Dealers who are carrying on business of photography.
- (5) Village artisans and craftsmen engaged in manufacture of products of village industries or handicrafts.
- (6) Dealers who conduct an eating house, restaurant, hotel, refreshment room or boarding establishment conducted primarily for the sale of sweetmeats, biscuits and pastries.
- (7) Any other class of small manufacturers or craftsmen or class of establishments which may be declared from time to time by the Government.

As for other manufacturers, we see no reason to keep a high turnover limit but since the limit is kept at Rs. 20,000, we do not suggest any change. Similarly, we do not see any justification to keep a limit for importers higher than Rs. 10,000 but since the limit is kept at Rs. 20,000 we do not suggest to resuscitate the limit. We, therefore, recommend continuance of turnover limit of all sales or of all purchases to be Rs. 20,000 for importers and manufacturers. We further propose that the limit of value of taxable goods sold or purchased during the year and the limit of value of any goods whether taxable or not brought by an importer into the State or despatched to him from outside the State during the year should be kept at Rs. 3,000. Similarly, limit of sales of taxable goods, sold or purchased during the year or limit of any goods whether taxable or not manufactured by a manufacturer (other than a manufacturer belonging to special category) during the year be kept at Rs. 3,000.

We do not agree with the view that the limits of turnover for resellers should be raised above Rs. 30,000. Although there is some force in the argument that in view of rising prices, a dealer with a turnover of Rs. 50,000 is in essence yet a small dealer but on this ground alone we are not inclined to suggest raising of the present limit. Firstly, we have carefully considered the question of small dealers and advocate a scheme of annual return and simple manner of assessment which will go a long way in meeting the point of view of large number of small dealers. Secondly, we have considered the number of dealers falling within the turnover of group of Rs. 30,000 to Rs. 50,000.

(see Table 22). There are 7,924 dealers paying Rs. 61.05 lakhs as tax in this group, which will include manufacturers and importers also. The resultant benefit by raising the turnover limit would not go to a substantial number of dealers. On the contrary, we have considered relief to about 30,000 dealers by advocating a scheme of annual return and simple manner of assessment. It would not be advisable to keep the dealers with turnover above Rs. 30,000 outside the taxing net as in view of the scheme of annual return and simple manner of assessment, it may not be administratively inconvenient to deal with the number of dealers to be covered within the present limits. Thirdly, some of the associations have not favoured the reduction of the limit on the ground of checking evasion and preventing unfair competition. Lastly, we are also advocating voluntary registration for dealers and in the system that we advocate, coupled with other recommendations including simple manner of assessment for large number of dealers, we would not like to erode the present base.

We have tabulated the recommendations made above for the sake of convenience as under :—

Category of dealer	Limit of value of taxable goods sold or purchased during the year	Limit of value of any goods whether taxable or not brought by him into the State or despatched to him from outside the State during the year/manufactured by him during the year	Turnover limit either of all sales or of all purchases during the year
1	2	3	4
	Rs.	Rs.	Rs.
(A) Importer :			
(i) Present limits .. ..	2,500	2,500	20,000
(ii) Limits recommended ..	3,000	3,000	20,000
(B) Manufacturers :			
(Other than category of dealers stated in (C) below.)			
(i) Present limits .. ..	4,000	4,000	20,000
(ii) Limits recommended ..	3,000	3,000	20,000
(C) Special category of dealers:*			
(i) Present limits .. ..	4,000	4,000	20,000
(ii) Limits recommended ..	3,000	3,000	30,000
(D) Dealers other than those covered in (A), (B) and (C) above.			
(i) Present limits .. ..	2,500	..	30,000
(ii) Limits recommended ..	3,000	..	30,000

5.22 Documents.—Documents serve as a device for convenient operation of the system. The Sales Tax Enquiry Committee (1957-58) recommended continuance of Licensing system which existed under the Bombay Sales Tax Act, 1953. It also recommended the system of Authorization for the facilities of inter-State trade and export and a system of Recognition for manufacturers to enable them to make certain purchases free of tax.

\* So far this category was included in category (B) relating to 'Manufacturers'.

This system has been followed so far and has been found convenient by the dealers and has also secured administrative convenience in that, it has considerably reduced claims of refunds and set off.

We have recommended a system which is predominantly a single point one with levy of tax at the first stage and at the last stage. The tax leviable at a stage of sale after the first one effected in the State will be that of the last Licensed dealer in the chain of the dealers. We think that in the conditions of trade existing in Gujarat, facilities should exist whereby levies in the Sales Tax Act do not enter into the cost of goods which are eventually sold in the course of inter-State trade or export trade, in order to maintain competitiveness in the trade.

We, therefore, recommend that a registered dealer having a turnover of sales to another registered dealer or in the course of inter-State trade or export of more than Rs. 30,000 per annum may be given a Licence on the strength of which he can make purchases free of tax for resale in the course of inter-State trade or export or free of last stage tax subject to his paying last stage tax on his own resales in the State to persons other than Licensed dealers.

We have also considered the position of manufacturers and processors in the State. A system of recognition under which purchases of prohibited goods are made on payment of low rate of tax and of non-prohibited goods free of tax is in vogue. We think that in a system of predominantly single point tax with double point tax on few commodities, a document of recognition will enable the manufacturers, big and small, and processors to make tax free purchases of goods which are used in the manufacturing without having to claim set off under a complicated process.

As a result of recommendations, the present documents of Licence and Authorization will be combined in a document called 'Licence' and the document of Recognition will continue. We, however, think that simplification is necessary both in the procedure and their conditions. We shall discuss these aspects later along with our recommendations on the simplification of the procedure.

**5.23 Recognition system.**—According to the position which existed before the recent amendments (section 25) a dealer who is a manufacturer of taxable goods, holding a recognition certificate could make purchases of prohibited goods on payment of tax at the rate mentioned in the schedules and purchases of non-prohibited goods free of tax. As per the amendments recently made \* which are not brought in force as yet, a dealer holding recognition certificate is enabled to make purchases of prohibited and non-prohibited goods on payment of a flat rate of tax on all goods purchased by him.

We have received representations from large number of associations that the the new amendments are not in the interest of manufacturers. The object of the amendments appeared to us to bring more convenience to the manufacturers by removing distinction between purchases of prohibited and non-prohibited goods. However, it has been emphatically represented before us that there is no special convenience in the proposed amendments but on the contrary, they will cause certain difficulties. The main difficulties pointed out to us were that for certain industries, purchases made by intermediate manufacturers, would add to the burden of cost of intermediate and final products. There is good deal of force in this argument. If the sole object of the amendment is to introduce greater facilities to the industries, this object is not to be achieved by it. We, therefore, recommend that the present practice of making purchases of prohibited goods on payment of tax at the scheduled rates and purchases of non-prohibited goods free of tax should be continued. We further recommend that the amendments made in the Act but not brought into force may be repealed.

**5.24 Commission Agent.**—The problem of commission agents was examined in details by the previous committee. As a result of the recommendations made by the committee, term "Commission Agent" is separately defined under the Act. A system of issuing permit to a buying commission agent is provided. A commission agent

---

\* Act No. IX of 1967.

under the present provision of the Act is liable to pay tax for sales on behalf of the principals and also in respect of goods purchased on behalf of the principals. No specific suggestions have been received by us for discontinuing the present system or modifying it. We have, however, examined the position of commission agents existing at present. There are 399 permit holders in the State as on 31st March, 1967. It appears that the number of commission agents holding permit is going down year to year. However, the trade by Commission Agent is yet a recognised practice in some areas and as the system has been working without any difficulties, we recommend no change in the present position.

We have received suggestions from the Commission Agents that the forms prescribed by the Commissioner are lengthy and complicated and should be dispensed with or at least simplified considerably. We have considered this suggestion alongwith the recommendations on simplification of forms in the later chapter.

*5.25 Selection of the system.*—We, therefore, recommend a system which is predominantly a single point system combined with a limited double point levy, with no retail sales tax but with a system of purchase tax where no sales tax accrues. Under the system which we recommend all important raw materials for industries and luxury goods which can be controlled at the first point would be taxed at single point first stage with higher incidence at the import or manufacturer's stage; all agricultural or primary products would be taxed at the single point last stage along with comparatively low incidence; and a system of tax at two points in case of such few commodities which do not pass through controlled channels. We believe that such commodities should be taxed at the first point as well as the last point keeping a fixed incidence of tax at the last stage and the balance at the first stage.

Consistent with the above, we have made suggestions as to the commodities which could be taken out from the present 'E' schedule and placed either under the first point levy or the last point levy. We have scanned the list of items which fall in the residuary entry (E-22) and taken out such commodities which are ascertainable and can bear description for being taxed appropriately either at the first stage or at the last stage.

We have also suggested that the goods which are raw materials or materials used in the manufacture or packing materials should be liable to tax at a comparatively lower rate so as to enable the manufacturers to compete in the sale of manufactured goods.

In the ultimate analysis, no system is absolutely simple in itself but a system is chastened by irradiation of other irrational features and removal of procedural complexities which make the working of the system complicated.

The system recommended by us, regulated by an easier system of Licence and documents, abolition of retail sales tax, removal of time limit for purchase tax, special higher turnover limit for small manufacturers, artisans, craftsmen and special establishments and further supported by careful exemptions, simple rate structure based on rational selection of commodities to be taxed at appropriate stage, a scheme of annual returns, simple manner of assessment for a substantial number of dealers and simplified procedure in many respects which we recommend in the subsequent chapters will, in our opinion, serve to achieve the objectives in view.

— — —

## CHAPTER SIX

## SPECIAL PROBLEMS

6.01 *Special problems.*—Sales Tax impinges on various types of dealers in a variety of ways, which creates special problems. Such special problems need to be appreciated in their proper perspective, as some of them are symbolic of common ills and would fall into a pattern, while some are peculiar to a class of trade or industry and would need special consideration. We have encountered a number of such problems. Some of these problems have found a solution in the system which we have recommended in the earlier chapter but there will yet be some of them which, in our view, deserve special mention and detailed consideration from the point of view of rationalisation of the structure, simplification of the procedure and hardship to dealers

We recapitulate a few of these problems in the following broad categories *viz.*—

- (a) Problems arising out of certain definitions.
- (b) Problems which are incidental but of common concern to trade or industry.
- (c) Problems relating to specific industries or manufacturers.
- (d) Problems which relate to small manufacturers, village artisans and craftsmen and small establishments.
- (e) Problems which are peculiar to some specific trades.

We shall discuss in category (a) the problems arising out of the definitions *viz.* (i) manufacture (ii) sale price (iii) casual sales (iv) consignments (v) controlled commodities and (vi) works contracts. In category (b), we deal with certain problems which are of common concern to trade and industry such as (i) additional duties of excise (ii) sales tax in lieu of octroi (iii) industrial policy and (iv) export promotion. The category (c) includes problems of (i) cotton textiles (ii) art silk industry (iii) Sugar industry (iv) Co-operative marketing and processing societies and (v) solvent extraction plants. In category (d), we have discussed problems of (i) machinery manufacturers (ii) utensil manufacturers (iii) soap manufacturers (iv) Khadi and Village Industries (v) Cottage industries and handicrafts (vi) hand-made shoes and (vii) brick layers (hand-made bhattha). Among the special problems peculiar to some specific trades in category (e), we have covered problems of (i) silver ornaments (ii) hotels and restaurants (iii) farsans (iv) Bakery products (v) Zari (vi) Akik (vii) precious stones (viii) synthetic stones (ix) embroidered articles (x) raw wool (xi) elastic tapes (xii) contractors engaged in works contract and (xiii) dealers dealing in tax-free goods.

6.02 *Definitions.*—It has been represented before us that certain definitions are causing difficulties in interpretation and terms require to be redefined in light of experience and judicial interpretation. We have already referred to the difficulties in the interpretation of the phrase “in the course of business” in the definition of ‘dealer’, “works contract” and the word ‘manufacture’. In addition, suggestions have come for redefining the word “sale price”. We have examined existing definitions and suggestions received thereon and make our recommendations as under :—

6.03 *Manufacture.*—The word ‘manufacture’ is defined in section 2(17). Suggestions have come before us as under :

- (1) The word ‘manufacture’ should follow the normal dictionary meaning or should be understood as in common parlance.
- (2) The present definition is too wide and may be suitably modified to clearly express the scope.
- (3) If the present definition remains, the processes which are included or not included in the manufacture should be clearly listed and should be available for the information of the dealers.

We have considered all the suggestions received in the matter and have given careful thought to the entire question. There is no doubt that the definition is a little too wide but we do not find it easy to narrow down the definition as in our opinion, it may cause practical difficulties. The difficulties arising out of a wider definition are mitigated largely by the power exercised by the Government to notify that 'manufacture' shall not include certain manufactures as manufacturing processes.

The present definition has been coined after mature consideration. We are told that all available definitions of 'manufacture' occurring in other Acts were considered when the present definition was drafted. It is difficult to have a definition of a term like this to have a definite meaning. The present definition has, therefore, been so framed that it is as comprehensive as possible and at the same time power has been taken to exclude from the definition such manufactures and manufacturing processes as are required to be excluded on merits. The present definition, in our view, is elastic, comprehensive and adequate for the purposes and we do not recommend any change in the present definition.

We also recommend that power vested in the Government under the Rule to exclude certain processes from the term 'manufacture' should be continued. The Government may review the exclusions notified from time to time and certain executive clarifications issued on the subject. While reviewing these notifications and clarifications we suggest that following processes should be excluded from 'manufacture'.

- (1) Conversion of milk into Chakka or Khoa.
- (2) Mixing, sorting, moulding, bleaching, polishing, cutting, reshaping, recutting, grinding, drilling holes in and stringing of precious stones (including diamonds and pearls) and bunching of pearls.
- (3) Cutting down of a large size of timber into a suitable smaller size for the convenience of individual customers.

We further recommend that all the exclusions considered from time to time should be reviewed periodically and should be published for the information of the dealers.

**6.04 Sale price.**—The word "sale price" is defined in the Act as the amount of valuable consideration paid or payable to a dealer for any sale made including any sum charged for anything done by the dealer in respect of goods at the time of or before delivery thereof, other than the cost of insurance for transit or of installation when such cost is separately charged. According to this definition, the cost of packing and transport even though separately shown are included in the sale price and the price which is charged ultimately at the point of delivery is considered as the price for the purposes of sales tax. Instances have been pointed out to us that certain commodities required special type of packing and the cost of packing was so high that the sales tax charged on the price including packing was high. It was also urged that transport cost in some cases is borne by a purchaser and if it is separately shown, it should not be included in sale price. We have considered these suggestions but we find that after good deal of experience the present definition has been framed. The practices may differ and if the sale price does not include the packing cost or transport cost separately shown, it may result into loss of legitimate tax. Some instances were also pointed out about certain charges such as Mahajan laga, Dharmada Tolai, octroi etc., which, it was also urged should not be included in the 'sale price'. We think that there will be considerable difficulties if such charges are not included in the 'sale price' and we think the present definition which is well settled need not be disturbed.

**6.05 Casual sales.**—The words "in the course of business" in the definition of 'dealer' has given rise to interpretation whether casual sales or purchases of assets or certain commodities of business are in the course of business and liable to be taxed under the Act. The criteria on which certain transactions of sale should be considered casual sales are well settled by the decision of the Supreme Court in the State of Gujarat *vs.* Raipur Manufacturing Co., Ltd. (19 S. T. C. page 1). As the department is

following the criteria settled by the decision of the Supreme Court, there should be no difficulty in the interpretation of sales as casual or otherwise.

6.06 *Consignment*.— Consignment, as transfer to branches outside the State for resale or as transfer to agents outside the State is a common practice in the trade. Consignment as such does not result in sale of goods and cannot be taxed. The question of consignment has, however, been posed before us as a problem of evasion of tax. Consignment is at the most legal avoidance. However, colourable transaction with a view to evade tax require to be discouraged. It is in this context that the problem has come before us.

Dispute arises as to whether a particular transaction is a consignment or an inter-state-sale. In a recent decision in *M/s. Mohanlal Gokaldas & Co. (Vasant Oil Mill) vs. The State of Gujarat*, Gujarat Sales Tax Tribunal has decided the question of the nature of transaction. The Tribunal considered various aspects of commission agency and held on facts of the said case that the transactions were of consignment of goods made by the oil mill to the commission agents at Delhi i. e. outside the State of Gujarat, for sales and were not sale of goods effected by the oil mill to the Commission agent. We think that the interpretation as to whether a particular transaction is consignment or amounts to sale of goods outside the State in the course of inter-state-trade would depend upon facts and the general principles ultimately decided by the Courts of Law.

However, colourable transactions under the guise of consignment pose a wider issue which has to be tackled at all India level. We suggest that when any dealer claims that he is not liable to pay tax under the Sales Tax Act, in respect of any goods, on the ground that the movement of such goods from one State to another was occasioned by reason of transfers of such goods by him to his other place of business or to his agents or principals as the case may be, and not by reason of sale, the burden of proving that the movement of these goods was so occasioned, should be on the dealer and for this purpose he may be required to produce before the prescribed authority, a declaration duly signed by the principal officer of the place of business containing the prescribed particulars in the prescribed form alongwith the evidence of despatch of such goods. As this will be a matter affecting the Central Sales Tax Act, we recommend that the Government may take up the matter with the Central Government for appropriate action.

6.07 *Controlled commodities*.— The controlled commodities presented certain difficulties in interpreting as to whether a transaction of controlled commodities amounted to sale. Our attention was drawn to several decisions of the Supreme Court and High Courts as under :—

- (1) Decision of Supreme Court in case of *New India Sugar Mills Ltd. vs. Commissioner of Sales Tax, Bihar*. ( 14 S. T. C. 316 ).
- (2) Decision of Punjab High Court in case of *Jashwantsingh vs. The Excise and Taxation officer ( Assessing Authority ) Hissar* and another. ( 19 S. T. C. 297 ).
- (3) Decision of Calcutta High Court in cases of—
  - (i) *The State of West Bengal vs. Indian Steel and Wire Products Ltd. and another*. ( 19 S. T. C. 319 ).
  - (ii) *S. K. Roy vs. Additional Member, Board of Revenue, West Bengal*. (18 S. T. C. 379 ), and
- (4) Decision of Allhabad High Court in case of *Commissioner of Sales Tax, U. P. Vs. Jiwan Das*. ( 18 S. T. C. 264 ).

The gist of all the decisions, finally settled law, is whether in the sale of controlled commodities, the different controlled orders and regulations interfere with the freedom of the buyer or the seller. If it does, the essential ingredient in the definition of contract of sale is wanting. As this will be a question of fact, we think that the interpretation of transactions should be left to be decided in light of judicial decisions which lay down finally settled law.



6.08 *Works Contract*.— Services are not taxed under the commodity taxation law in this country. Although, the States have no power to tax 'works contract' as such, there is no impediment in the States levying a tax on the sale of goods properly so called and this has developed cases law on 'works contract'. There are several outstanding decisions on the subject as under :

(1) Judgment of the Supreme Court in the case of *The State of Madras vs. Gannon Dunkerley & Co. (Madras) Ltd.* ( 9 S. T. C. 353 ).

(2) Judgment by Madras High Court in the cases of—

(i) *Sundaram Motors (Private) Ltd. vs. The State of Madras.* ( 9 S. T. C. 687 ).

(ii) *The State of Madras vs. Voltas Ltd.* ( 14 S. T. C. 446 ).

(3) Judgment by the Gujarat High Court in—

(i) *A. A. Jariwala & Bros. vs. The State of Gujarat.* ( 16 S. T. C. 942 ),

(ii) *Sarvodaya Motor Works vs. The State of Gujarat.* ( 17 S. T. C. 261 ),  
and

(4) Judgment by Supreme Court in case of *John Mowlem & Co. Ltd. vs. Commissioner of Sales Tax, Orissa.* ( 19 S. T. C. 59 ).

The position deduced from various judgments is that if a contract is only a works contract with no element of sale of goods, it would not be taxable. If a works contract includes sale of goods, levy of tax on such sales would be proper. It cannot be held however, as a general proposition that in every case of 'works contract', there is necessarily involved sale of goods. The question would depend upon facts of each case. Whether in a particular case there is a contract of sale of materials as distinct from a pure 'works contract' would depend upon the agreement between the parties and on proof of an intention to sell the materials as such. We think that in composite contracts of this nature, it is best to go by the law on the subject.

6.09 *Additional Excise Duty in lieu of Sales Tax*.— Substitution of Excise Duty for sales tax was a universal and oft-repeated demand of industry and trade. Additional excise was substituted for sales tax on sugar, cloth and tobacco and its products under Additional Duties of Excise ( Goods of Special Importance ) Act, 1957, based on unanimous consent of the State Governments. The Act does not forbid levy of sales tax on these excisable commodities but provides that if in any year a State levies and collects a tax on the sale or purchase of such commodities, no share out of the proceeds of the Additional Excise Duty will be given to the State.

The advantages of substitution of the sales tax by additional excise duty to industry and trade are obvious *viz.*, that it is easy to collect ; leaves no chance for evasion ; saves dealer from administrative complexities and eliminates consumer's resistance. However, such arrangements can come into existence only on consent of all the State Governments. Unless articles proposed to be brought within the scheme are of universal consumption, they are not suitable for levy of additional Excise. The sharing by the States, of the balance by which the distributable net proceeds exceed the guaranteed amount to the States has not found a satisfactory solution as yet. While rates of basic duties of excise have gone up, the rates of additional duties of excise have remained unchanged. State Governments have so far expressed their unwillingness for any further change as it is felt by them that they would have secured higher revenues by way of sales tax on these commodities if they were not brought within the scheme of Additional Excise Duty. Resistance has come from the States on any proposal to extend levy of Additional Excise Duty to new commodities, mainly on these grounds, which in the context of growing sense of State's autonomy is likely to grow harder.

Although the advantages of substitution of the Additional Excise Duty in lieu of Sales Tax are obvious, no concrete proposals for more commodities to be brought within the purview of the arrangements have been considered as the difficulties pointed

out by the State Governments in regard to the basis of collection of Additional Excise Duties and satisfactory principles for distribution have baffled solution. The table below will show that while there is some progressive rise in the share of net proceeds of basic duties assigned to the State, the revenues of the State by way of share from Additional Excise Duties have almost remained static :—

Year	Share from central Excise Duties			Share from Additional Excise Duties
1	2			3
1961-62 .. ..	..	472	(314 + 158)	398
1962-63 .. ..	..	505		392
1963-64 .. ..	..	596		380
1964-65 .. ..	..	555		366
1965-66 .. ..	..	645		391
1966-67 .. ..	..	897		424
1967-68 .. ..	..	973		314

All the Finance Commissions appointed so far were called upon to suggest only the principles for distribution of the balance after allowing the “ guaranteed income ” to the State Government. The Fifth Finance Commission is now appointed with wider terms of reference on this subject. The State Government will have an opportunity to suggest modification in the existing arrangements, bringing more commodities within the purview of the arrangements and to suggest principles for distribution of the net proceeds from the Additional Excise Duties on the existing commodities as well as on new commodities which may be agreed upon. Since the matter will be examined by the Finance Commission, we do not make any specific recommendation, but we suggest that the State Government should dispassionately consider the proposal for bringing new commodities under the purview of the arrangements keeping in view the impact on the revenues of the State as also the advantage which such arrangements will bring to the trade and industry as a whole. We further suggest that the State Government may place before the Finance Commission well considered proposals on the basis of collection of Additional Excise Duties which should take into account the benefit arising out of rising prices. We also suggest that the State Government may consider the proposal for specific commodities after carefully considering the data about consumption of such commodities in the State, the revenues which accrue by way of sales tax on such commodities and the rise in the revenues of Sales Tax on the increased consumption as well as the increased rate of tax which the State Government might impose on such goods in future.

6.10. *Sales tax in lieu of octroi.*— Our attention has been drawn to the recommendations of the Road Transport Inquiry Committee headed by Shri Keskar regarding alternative to octroi. One of the possible alternatives as a suitable substitute which may approximately cover the same field of incidence is surcharge on sales tax or additional sales tax. Many previous committees have also tried to explore a suitable substitute in place of octroi. The Taxation Inquiry Commission ( 1953-54 ) has observed that “ octroi is unsatisfactory, its elimination from the tax system of local bodies should undoubtedly be aimed at, but this is inevitable a long term aim ”. The Committee of Local Self Government Ministers constituted in 1963 by the Central Council of Local Self Government suggested a surcharge on sales tax or additional sales tax as a suitable substitute. The question of substitution of octroi by any such tax is not directly in question before us. The suitability of proposed tax in lieu of octroi, its incidence and manner of collection, question of distribution of the proceeds are all matters which require detailed consideration. Since this is not within our purview and since the matter is understood to be under consideration of the State Government, we do not propose to go into this question any further.

6.11. *Industrial Policy.*— One of the principal constituents of the economic policy of this State is to promote selectively industries which will contribute to the

economy in terms of investment, technological progress and also to lay the foundation of further industrial growth. Gujarat has made significant progress in industrial sphere but it has only reached a stage where development can really be fast. A suggestion is made that in order to ensure optimum growth of priority industries, it is necessary to provide fiscal incentives.

We have recommended a system in which manufacturers producing taxable goods are enabled to make purchases on Recognition of prohibited goods on payment of low rate of tax and of non-prohibited goods free of tax. This is a significant concession to manufacturers in the State. We have considered the procedural difficulties arising out of the conditions in the Recognition Certificate and have made appropriate recommendations on the same. Industries exporting goods outside the country will enjoy several concessions which have been considered on export promotion.

We have further examined the suggestion of exemption from payment of tax on sales and purchases by industries considered to be of priority importance to the State for a certain number of years. We have examined in this connection provisions existing for exemption of products of new industries in the U. P. Sales Tax Act, 1948. The question was raised before the U. P. Sales Tax Committee ( 1962-65 ) and the Committee observed as under :—

“ During the limited period of 5 years the products of the new industries escape the burden of Sales Tax while similar products imported from outside the State continue to be taxable. The Committee have been advised that such a discrimination between locally manufactured article and similar article imported from outside can be regarded as reasonable, without offending against the provisions of article 304 of the Constitution, provided it is limited to a specified period. We have already recommended earlier the grant of general concession in the matter of purchase of raw materials at the reduced rate of 2 percent in respect of specified industries. We do not, therefore, consider it necessary to allow the concession of exempting the finished products of new industries for an unlimited period. As already provided in section 4-A, the concession should be confined to a period of five years which is considered reasonable for the purpose.”

We have carefully considered the suggestion from all points of view and we think that consideration may be made in respect of industries which are of priority importance to the State only. We, therefore, recommend that industries considered to be of priority importance to the State may be exempted for a period of 3 years from payment of tax on their sales and purchases by a notification under the Act. We however suggest that a list of industries of priority importance may be drawn up by the Government in Industries, Mines and Power Department and notified by the Government in Finance Department after due consideration. We suggest that in drawing up the list due care should be taken to select only those industries which are important to the State from point of view of the growth of State's economy *i. e.* those industries which have the potential of leading towards further industrialisation.

6.12. *Export promotion.*— We believe that the system of sales tax should operate to promote national policy of export in general and the export trade of the State in particular. The State of Gujarat has an important export trade in several commodities like mineral ores, spices, vegetable oils, raw wool, raw cotton, oil cakes, diesel engines, cotton yarn, textiles, unmanufactured tobacco, cement, prawns and handicrafts including zari and akik.

We are happy to note that adequate provisions exist for exemption of sales prior to sales in the course of export in the Sales Tax Act and that the Committee ( known as Saraiya Committee ) appointed by the Government of India, Ministry of Commerce and Industries, to study the question of sales tax on commodities exported from India ( and to suggest measures for grant of appropriate relief in the interest of export trade ) has recommended similar provisions to be adopted by other States.

We are also happy to note that under the scheme of recognition and set-off as provided in the Sales Tax Law of the State, the manufacturers are eligible to make tax free purchases on the strength of recognition certificate of goods meant for use in the

manufacture of taxable goods, except prohibited goods which do not attract tax at more than 3 percent. We are satisfied that the system of recognition works well and as the low incidence of tax is capable of being absorbed in the cost of production, the export of manufactured goods does not suffer any handicap.

Our attention was drawn to the recommendation of the Committee for exemption from tax altogether in respect of goods where 80 per cent. or more of the production is exported outside India. We have considered the implications of this recommendation and we suggest that Akik which has more than 80 percent of the production in export trade should be kept tax free. We think that the revenue loss to the State will not be significant and will be more than off set by considerable relief, it will give to the manufacturers and dealers engaged in this important trade.

Our attention was also drawn to another recommendation of the Committee regarding grant of rebate of Central Sales Tax to the selling dealer on inter-State sales which ultimately lead to export outside the country. Since this is a matter connected with the Central Sales Tax Act, we would refrain from making any observations except to strongly urge the State Government to press the matter with the Central Government. We appreciate, however, that the State Government may not be able to implement this recommendation unless the Central Government agrees to make good the loss.

6.13 *Cotton textiles.*— Cotton textile industry is the oldest and one of the major industries in the State. The number of textile units and their production are shown in table 34. At the time when the Sales Tax Enquiry Committee ( 1957-58 ) was considering comprehensive proposals for improvement in the Sales Tax Law, the cotton textile industry was passing through a difficult phase. The committee was not in favour of a system of tax free purchase or of set-off of sales tax paid against purchases in respect of any of the goods required by the cotton textile industry as raw material, processing material, fuel, lubricant, machinery, expendable stores and packing materials. But the Committee recommended relief to be given to the industry by fixing a low rate of tax on the sale to the industry of the above commodities so that it could be absorbed in the price of the finished goods without affecting the competitive position of the industry.

On the basis of these recommendations, concession has been given on purchases to be made by the cotton textile mills by furnishing 'N' form of such goods as are specified in the notification. Such a concession was intended, in our opinion, as a special measure of relief to the industry which was passing through difficult time and was not intended as a permanent exemption. We would not like to recommend that cotton textile industry should receive a treatment different from one meted out to other industries. However, by strange coincidence, the industry at the present moment also experiences severe difficulties. We, therefore, recommend that the existing concession enjoyed by the cotton textile mills on purchase to be made of specified goods against 'N' form may be continued as a temporary relief in the present circumstances to the extent to which the amount of sales tax exceeds 2 nP. in the rupee and to the extent to which the amount of general sales tax exceeds 2 nP. in the rupee provided that if on the same goods sales tax is leviable no general sales tax will be levied. We also recommend that this position may be reviewed by the Government at a suitable time as soon as normal conditions in the industry are revived.

It was brought to our notice by the Millowners' Association on behalf of the Textile mills that in absence of an exhaustive list of goods which could be purchased on concessional rates, difficulties arose for determining whether certain items would be covered within the description of the goods specified in the notification or not. Looking to the enormous number of the articles purchased by cotton textile mills and also looking to fast technological changes which bring number of new articles hitherto unknown in the process of manufacturing, we do not think preparation of any precise list could be attempted with practical advantage. Our attention was drawn in this connection to the decision of the Supreme Court in J. K. Cotton Spinning and Weaving Mills Ltd. (16 S.T.C 563) and as the department is following the criteria laid down in this decision, we feel that no such difficulty should arise in determining goods which could be purchased on 'N' form. On the contrary, preparation of a list which by no means can be exhaustive, will, in our opinion, bring unnecessary rigidity.

It was further represented before us by the Millowners' Association that each mill was not necessarily a complete unit by itself so as to provide for all types of processing and finishing cloth produced by the mill. We were told that there was a practice of grey cloth of one mill being processed and finished by another which, in most cases was a sister concern. In view of this, it was urged that purchases made on 'C' form by a textile mill should not be restricted to materials used in processing its own cloth only. As any textile mill would be in a position to make purchases on 'C' form of materials used by it, the purchases made on 'C' form of material partly used by such mill and partly for a sister concern or another concern, though amounting to a technical breach of the provisions under the Central Sales Tax Act, is a common practice required to be adopted by the Mills in the interest of economy. We recommend that the State Government should move the Government of India to consider suitable change in the use of 'C' form to remove this difficulty. In the meanwhile, the department may see its way to the use of 'C' form for purchase of materials used by a processor for processing its own manufactured goods or of goods of other concerns, provided that the materials are purchased and used in its own undertaking and are not sold to other manufacturers or dealers.

6.14 *Art silk industry.*—Art silk industry is well developed in the State and enjoys a good market outside the State. The number of Art Silk units and their production is given in Table 35. The articles manufactured by this industry are art silk cloth, nylon cloth, staple cloth, terylene cloth, art silk yarn, ribbons, borders, laces, embroidered sarees etc.

At present rayon or artificial silk fabric including nylon, staple and terylene fabric are tax free. Art silk yarn is taxable at a rate of 2 percent only. Staple fibre and staple fibre yarn, terylene fibre and terylene fibre yarn and all other synthetic fibres and synthetic yarns are taxable at 3 percent but under a special notification issued under section 41, the rate of tax is reduced to 2 percent. Ribbons and laces as cloth would be tax free but in all other forms, ribbons, laces, borders and trimmings when sold by weight at a price not less than fifty paise per ten grams or when sold by length at a price not less than fifty paise per meter are taxable at 8 percent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax. So far as embroidered sarees are concerned, they are tax free, if embroidery is carried out in the process of weaving itself. If it is otherwise, sarees embroidered or otherwise decorated are liable to tax at different rates viz., (a) 2 percent sales tax, 2 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax, if sold at a price not exceeding Rs. 12 per piece, (b) 5 per cent sales tax, 2 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax, if sold at a price exceeding Rs. 12 but less than Rs. 18 per piece, (c) 8 percent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  percent retail sales tax, if sold at a price not less than Rs. 18 but less than Rs. 30 per piece and (d) 10 percent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  percent retail sales tax, if sold at a price not less than Rs. 30 per piece.

Amongst concessions enjoyed by manufacturers of the art silk and rayon cloth are :—

- (a) concession to purchase art silk yarn or staple fibre yarn against declaration in form 'R' at a concessional rate of 1 percent only subject to circumstances and conditions prescribed,
- (b) exemption of the process of dyeing, bleaching, doubling, twisting of art silk yarn, staple yarn, staple fibre yarn.

Since the representation was made before us, the Government has already reduced the rate of tax on sales or purchases of staple fibre and staple fibre yarn, terylene fibre and terylene fibre yarn and all other synthetic fibre and synthetic fibre yarn.

It has been represented before us very strongly that the art silk industry has a good potential for export but it has been facing difficulties on account of changed export policy and recession. It has been urged that the concessions enjoyed by the manufacturers or processors of cotton fabrics on purchases to be made on 'N' and 'O' forms should be extended to the manufacturers and processors of art silk fabrics also. Looking to the special difficulties faced by the industry at the present moment, we are of the opinion that the same concession as is available to the manufacturers or processors of cotton fabrics should be available to the same extent and in the same manner to the manufacturers or processors of rayon or art silk fabrics.

As the textile manufacturing units use not only cotton but also use other yarn such as rayon silk, art silk, terylene etc., in the manufacture of mixed textiles, we feel that concessions allowed to cotton textile mills only result in discrimination. We, therefore, recommend that the concessions enjoyed by the cotton textile mills for purchases to be made on 'N' form and 'O' form should be extended to manufacturers of art silk textiles, in the same way as we have recommended for cotton textiles, subject to the concessions to be reviewed as soon as normal conditions in the industry are revived.

**6.15 Sugar Industry.**—There are three sugar factories in Gujarat and two more are coming up all of which are in the co-operative sector. It has been the policy of the State to encourage setting up of more sugar factories on co-operative lines. The number of sugar factories and their production is given in table 36.

It has been urged before us by Gujarat Rajya Sahakari Khand Udyog Sangh Ltd., on behalf of Co-operative sugar factories that (a) purchase tax should be levied on the basis of weight instead of an *ad valorem* basis and (b) the rate of purchase tax should be reduced keeping in view the rates of tax in other sugar producing States. We have carefully considered the arguments advanced in support of their plea. The sugar factories which are co-operative societies collect sugar-cane produced by their members and no final price of sugar-cane is determined at the time of purchase. The price is ultimately determined at the end of the working season so as to give benefit of profits made by the society to its cane growing members. Obviously, it may not be easy for co-operative sugar factories to determine the tax to be paid by them every quarter as the final price of sugar-cane is not fixed. The levy of purchase tax on the basis of weight instead of on *ad valorem* basis would, therefore, be consistent with the practice followed by co-operative sugar factories in the interest of their members and we recommend that the purchase tax should be levied on weight basis.

As for rate of tax, we have examined the prevailing rates of tax in other sugar producing States. We recommend that it would be advisable to keep the incidence of tax comparable to that in the neighbouring States, having similar yields of sugar cane per acre and similar recovery percentage of sugar.

**6.16 Co-operative Marketing and Processing Societies.**—A problem has been posed before us by the co-operative marketing and processing societies that they collect and pool the produce of their members for being processed and marketed and when the processed goods are sold by the societies on behalf of their members, the proceeds are distributed to the members after deducting only administrative charges and commission for distribution of dividend and other funds. As such pooling of produce from the members and ultimate sale of the processed goods by the societies on behalf of their members do not result in purchases of the produce from their members and no purchase tax should be chargeable on the goods collected by the societies from their members.

The bye-laws of the co-operative marketing and processing societies enable the societies to pool the produce of their members and looking to the co-operative object of marketing and processing by the societies on behalf of their members, such pooling should not amount to a transaction of sale or purchase. There is good deal of force in representation made by the co-operative processing and marketing societies made in this behalf. However, this contention of the co-operatives was not accepted by the Tribunal in its decision in Revision Application No. 115 in Khedut Sahakari Ginning and Pressing Societies (Baroda) V/s the State of Gujarat. Looking to the facts placed before the Tribunal, we do not dispute the decision arrived at by the Tribunal in the particular case. However, co-operative marketing and processing activity is well developed in Gujarat and according to the well accepted bye-laws the societies which are collecting the produce only from their members and process and market goods on their behalf should not be handicapped. If the interpretation results in such handicap, the Government should consider exemption from levy of purchase tax provided that the co-operative societies pay tax payable under the Bombay Sales Tax Act or the Central Sales Tax Act as the case may be and does not consign the goods outside the State. Under these circumstances there is no likelihood of any loss of tax and a suitable amendment will help development of genuine co-operative marketing and processing societies in the State.

6.17 *Solvent Extraction Plants.*—Groundnut is a major cash crop in Gujarat. The oil industry for extraction of groundnut oil has well developed in all the districts having groundnut as main crop. Solvent extraction plants are also installed for further extraction of oil from oil cakes.

In course of our inquiry, it was brought to our notice that oil cake was exported outside the State in large quantities on consignment and the solvent extraction plants starved in absence of availability of adequate quantities in local markets. It was stated that a tendency to consign oil cakes outside the State was encouraged as the local rate of tax on oil cakes was high and it was urged that the local tax should be reduced. On the representation made by the industry to the State Government, concession has been given on sales or purchases of oil cakes to the extent to which the amount of general sales tax or the purchase tax exceeds one and one-half paise in the rupee. Since concession has already been given, we do not propose to make any further recommendation, except to suggest the Government may appraise whether the object has been served.

6.18 *Machinery manufacturers.*—Representation was made before us by Machinery Manufacturers' Association on behalf of the dealers who are manufacturing and selling centrifugal pumps, water pumps coupled with or without electrical motors, water pumps coupled with or without diesel engines and spare parts of these pumps or motors. It was stated that electrical motors, oil engines other than those adapted for use as component parts of motor vehicle and spareparts and accessories of electrical motors and oil engines were taxable at 3 percent sales tax and  $\frac{1}{4}$  percent retail sales tax, while water pumps sold as such or coupled with electric motors or oil engines and their spare parts were taxed at 3 percent sales tax, 3 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax under the residuary entry. It was also stated that since spare parts and accessories for all non-vehicular oil engines were covered under the entry regarding electrical motor and oil engine, tax was collected at a rate of 3 percent on all such spare parts and accessories.

In view of different rates of tax on oil engines and electric motors on one hand and water pumps coupled with electric motors or oil engine on the other an anomalous position is created. According to the normal trade practice water pumps may be sold coupled with or without oil engines or electric motors and different position arising under different circumstances create unnecessary difficulties. This also leads to a practice of preparing bills separately for water pumps and for oil engines or electric motors in order to avoid higher tax for coupled sets. We have no doubt that this anomaly must be removed and suggest that normal trade practice should be taken into account in devising the rates of tax. We recommend that in order to bring rationalisation, same rate of tax on water pumps, water pumping sets, electric motors and oil engines should be levied.

As regards spare parts and accessories for all non-vehicular oil engines, it was stated before us that in some stray cases, some spareparts which were interchangeably used both for non-vehicular oil engines and for vehicular engines, tax was levied at the rate of 10 percent sales tax and  $\frac{1}{4}$  percent retail sales tax as sales of component parts of motor vehicles. The difficulty of the dealers was stated to be that they were not aware of the use to which the spare parts were put to by the purchasing customer and spare parts being essentially used in oil engines, and used in agriculture, they collected tax as applicable to spareparts of oil engines. The divergent interpretation by the authorities based on uses of goods, it was stated, caused difficulties.

We do not see any reason in interpreting the same article as capable of being taxed differently because of incidental or remote use to which it is put. In this connection, our attention has been drawn to decisions in *M/s. Ingersol Rand (India) Private Ltd. vs. State of Gujarat* (Appeal No. 1 of 1966) and *M/s. Ugomi Private Ltd. vs. State of Gujarat* (Appeal No. 2 of 1966). It has been held that test to be applied will be whether a particular article is principally or primarily meant for such use. We think that application of this test would be satisfactory in cases cited before us. In view of this no further recommendation appears to be necessary.



6.19 *Utensils manufacturers.*—Metal merchants and utensil manufacturers (without use of power) are small dealers engaged in the manufacture of copper and brass utensils. The Association of Metal Merchants and Manufacturers have presented several problems before us.

Such dealers have to make purchases of copper or brass sheets for being used in the manufacture of utensils. However, sometimes they do not use the sheets purchased by them in the manufacture but sell them again to other dealers who are also manufacturers. As the goods purchased on recognition are not used in the manufacture, it amounts to a breach of the condition of recognition. In our opinion, this is not a special feature of these manufacturers alone but is generally applicable to all dealers who make purchases on recognition certificate. We have considered this aspect at an appropriate place later in the report.

It was further pointed out to us that there are several intermediate processes involved in the trade. A dealer purchasing sheets produces circles, discs or cuttings. Again another dealer purchases such circles, discs or cuttings and uses them in the manufacture of unfinished utensils. Another dealer is again engaged in the process of polishing and finishing the utensils which are ultimately sold to consumers. There are no difficulties if all the intermediary manufacturers make purchases on recognition free of tax. It is contended that there will be multiple tax if the amendment recently made in the recognition system is brought into force. But there will be no such difficulty if the intermediary manufacturers make purchases on recognition certificates as at present. As we have recommended that the present system of recognition should continue and that amendments\* should not be brought into force, such difficulties should not arise.

As stated above, several intermediary processes are gone into before the products are finally made. Every melting process will involve some loss of metal and there is no fixed percentage of loss of metal at each stage of the process. Difficulties arise because the actual loss percentage is not allowed at the time of assessment. We think that if the actual loss is proved by the dealer to the satisfaction of the assessing authorities from his books of accounts, such loss percentage should be accepted. If, however, such dealer is unable to keep accounts and to prove the loss therefrom, we suggest that a reasonable percentage may be applied by the department but such percentage should be arrived at by the department after consultation with the responsible associations of the trade or based on study of similar cases in the local area and the officers should be instructed to follow such percentage provided as guide lines by the department.

Since we have proposed a distinct higher turnover limit for class of small manufactures of artisans, we recommend that metal merchants and utensil manufacturers (without use of power), should be included in the special category. We also propose considerable simplification by way of annual return and simple manner of the assessment for small dealers and think that difficulties experienced by these dealers will be removed considerably.

6.20 *Soap manufacturers.*—The soap manufacturers have represented before us that they have to use caustic soda, soda ash and silicate of soda for manufacture of soap but while caustic soda and soda ash are purchased by them free of tax, they have to pay tax at 3 percent on silicate of soda. We think that silicate of soda which is at similar article like caustic soda and soda ash and used mostly by the same type of manufacturers, should be included in the same entry as that of caustic soda and soda ash. We further propose that the rate of tax of silicate of soda should be 5 percent on the same line as tax on caustic soda and soda ash as a part of our rationalisation proposals.

6.21 *Khadi and Village Industries.*—The products of village industries as defined in the Khadi and Village Industries Commission Act, 1956 are exempted from payment of tax when sold by a producer or a dealer certified for the purpose by the Commissioner after taking into account the recommendations of the Gujarat Rajya Khadi and Gramodhyog Board. There are 643 co-operative societies and institutions engaged in Khadi and Village Industries Products. The societies or institutions whose turnover exceed Rs. 10,000 and who apply for certificate, are issued such certificates on the recommendation of the Khadi and Village Industries Board.

---

\*Act No. IX of 1967.



It was represented before us by many individual artisans that while the board issued recommendations in respect of co-operative societies, no recommendations were made in respect of individuals who were not members of any co-operative societies, and as such the individuals engaged in the manufacturing of products falling within the Khadi and Village Industries products were discriminated as against the co-operatives engaged in the manufacture of the same goods. We have been given to understand by the Board that it was not possible for it to recommend individuals for purpose of exemption as it had no control over the activities pursued by the individuals and in absence of machinery at its disposal to keep watch on the products of individuals producers, the Board could not certify the products produced of such individual as village industries products. We think that if the products of an individual artisan are genuinely village industries products, no discrimination should occur between the products by an individual artisan and those produced by a co-operative society. We recommend that the State Government should arrive at some administrative arrangements in consultation with Khadi and Village Industries Board. If the Khadi and Village Industries Board cannot make arrangements, the machinery at the disposal of the Registrar of Co-operative Societies who is in charge of Khadi and Village Industries or any other suitable machinery of the State Government should be utilised for making such inquiries as may be found necessary and the Commissioner may issue certificate on such recommendation.

**6.22 Cottage industries and handicrafts.**—During our inquiry it was represented by artisans engaged in cottage industries as well as handicrafts workers that products of cottage industries and handicrafts should be exempted on the lines of Khadi and Village Industries Products.

The propriety of a policy to exempt small scale and cottage industries was questioned by the Sales Tax Enquiry Committee, 1946, the main portion of which runs as under :—

“Encouragement to particular traders, producers or activities is best and most efficaciously given by direct action, in this behalf, on the part of Government. Inclusion in the sales tax exemption list does not perhaps give very substantial help to any activity. On the other hand, every such exemption adds to the difficulties of traders and of the administration and every exemption that leads to evasion, leads to loss of revenue, undermines the administration of the Act and effectively increases the gap between the burden on the consumer and the revenue accruing to Government.”

We have considered in this connection the views of the Sales Tax Inquiry Committee ( 1957-58 ) and we think that the total exemption to products of cottage industries or of handicrafts should not be considered for the reasons given by that committee and for the reason that such products are not identifiable from the resembling products and exemption will open the doors for evasion. However, we are convinced that there are special difficulties experienced by small manufacturers and artisans engaged in cottage industries as well as handicraft workers and who depend mostly on their traditional skill and labour. It was observed by the earlier committee also that if cottage industries or handicrafts were suitably organised and supervised so that benefit of exemption from sales tax may be given to them with the assurance that it will be enjoyed by the man of small means engaged in this industries and by the consumers of their products, such exemption was desirable. We find that shoe-makers, tanners, brick-layers and such other village artisans and handicraft workers are so scattered that they cannot easily be brought within the organisation which can supervise its activities and products. It may not be possible, therefore, to consider the exemption for such workers on the consideration of an organisation formed of such workers. At present, they are considered manufacturers and are liable to pay tax on an annual turnover of Rs. 20,000 which was till recently Rs. 10,000. We think that a separate higher turnover limit for such artisans and craftsmen would relieve them of much of the hardship experienced by them as small manufacturers. We have recommended a separate higher turnover limit for special category of dealers and recommended that Government may notify from time to time appropriate class of artisans and craftsmen for the purpose of higher turnover limit which we have proposed to Rs. 30,000. We feel that the difficulties of small manufacturers including village artisans and handicraft workers will be largely met by the recommendation made by us.

6.23 *Hand-made shoes.*—The shoe manufacturers (hand-made shoes) have represented before us that they manufactured shoes by manual labour and had to compete with the machine-made shoes. Their trade was going down and urged for exemption from payment of tax. As many such dealers had sales outside the State they also urged for exemption from production of 'C' form.

We have not proposed total exemption for such manufacturers. However, we have recommended a special higher turnover limit for small manufacturers, village artisans and handicrafts workers which will solve the problem of shoe-makers (hand-made shoes) also. We recommend that the shoe-makers (hand-made shoes) should be included in the special category of higher turnover limit. We also recommend that for such dealers who have sales outside the State but whose sales practices are not organised or that the buyers in the other State are so small that they are not in a position to give 'C' form, concession from production of 'C' form may be considered in such special circumstances only after fully examining the trade practices. We recommend that the shoe-makers (hand-made shoes) who have sales outside the State may be exempted from production of 'C' form.

6.24 *Brick-layers (by hand-made bhattha).*—Village potters are engaged in bricks manufacturing (by hand-made bhattha) without the use of chimney kiln. They are small and illiterate people and working with their own labour or labour of their family members. It was urged before us by such manufacturers that they should be exempted from the payment of tax.

We have not proposed total exemption for such manufacturers. However, we have recommended a special higher turnover limit for small manufacturers, village artisans and handicraft workers which will solve the problems of brick layers (by hand-made bhattha) also. We recommend that the brick-layers (by hand-made bhattha) should be included in the special category of higher turnover limit.

6.25 *Silver ornaments.*—Jewellery merchants, particularly silversmiths represented before us that the rate of tax on articles of gold and silver was high. After the Gold Control Order, silver ornaments have been more in demand and there is good trade of silver ornaments sold outside the State.

At present articles of silver of fineness of not less than 75 percent are liable to tax at  $\frac{1}{4}$  percent sales tax and  $\frac{1}{4}$  percent general sales tax. There is no retail sales tax on such articles under a special exemption. Articles of silver of fineness less than 75 percent are taxable at 3 percent sales tax, 3 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax. As most of the articles prepared at present are of fineness less than 75 percent they are taxable at higher rate and on account of competition, the trade is being diverted.

We have considered the problem raised before us. In view of more and more use of silver articles in place of gold and also of the fineness which varies generally between 50 percent to 75 percent, we are of the view that articles made of silver of not less than 50 percent should be taxed at  $\frac{1}{4}$  percent sales tax and  $\frac{1}{4}$  percent general sales tax. This will help, in our view, in preventing diversion without much affecting the revenue of the State.

6.26 *Hotels and restaurants.*—The Hotel Owners' Association have represented before us that mostly their establishments are small and they serve cooked food or other articles which are used for consumption. They have claimed for exemption or atleast to raise the present limits of Rs. 30,000 to Rs. 50,000. It is also urged by them that they serve different articles like cooked food, farsan, sweetmeats, ice-cream, tea, coffee, etc. These articles bear different rates of tax and it is practically impossible for them to give cash memo giving details of articles served and also to maintain accounts to show the sales of different articles. Assessments in most of their cases are made on the basis of the purchases made by them in the absence of details of sales. Milk purchased by them is used in ice-cream or tea or coffee. Similarly gram flour purchased by them may be used either in preparation of farsan or in preparation of sweets. Even if purchase accounts are kept, it becomes extremely difficult for them to show what articles are prepared from the materials purchased and in what quantities.

As such, assessments, in some cases become *ad hoc* or arbitrary. We are impressed by the difficulties which such small establishments have to undergo on account of different rates of tax on a variety of articles which they serve. We have considered these points very carefully in our proposals for rationalisation and most of the difficulties of hotel-owners will be solved in the ultimate proposals which we make regarding rates of tax on all these articles as a part of our rationalisation proposals.

Since we have proposed a distinct higher turnover limit for small manufacturers and special establishments, we recommend that hotels and restaurants should be included in the special category for the purpose of higher turnover limit.

**6.27 Farsans.**— Farsanwalas and Mithaiwalas (Swee meat sellers) generally sell articles of farsan, mithai, milk, dudhpak, shrikhand, mava etc. Farsan is tax free. Swee meat is taxable at 7 percent. Milk is tax free. Dudhpak and shrikhand is taxable along with sweetmeats at 7 percent. Mava is taxable at 6 percent under the residuary entry. Again some articles like Salampak and Adadiya are held as medicinal preparation and taxable at 3 percent.

It has been represented to us that all these articles are for consumption and should be treated as tax free as human food. We do not agree that all these preparations should be made tax free. Farsan is already tax free. We are told that in the rural areas, there are certain establishments which sell farsan only and do not sell sweetmeat or other preparations which are taxable. Farsan in rural areas is sometimes a substitute for meal or a breakfast for poor persons. We, therefore, recommend that farsan may be continued tax free but we see no reason why other preparation like mithai, dudhpak, shrikhand, mava etc. should not be taxed. We, however, recommend an uniform rate of tax at 7 percent on all such products in our rationalisation proposals. In view of this the difficulties arising out of different rate of tax would disappear. Since we have proposed a distinct higher turnover limit for small manufacturers and special establishments, we recommend that farsanwalas, who sell only farsan, should be included in the special category for the purpose of higher limit.

**6.28 Bakery products.**— We received representations from dealers in bakery products all over the State. Bakeries manufacture products of a very wide variety. Varieties of bread are bread, toast, bun, sada biscuits, rogni biscuits etc. Biscuits include nimkin biscuits, surti biscuits or farماسو or Italian biscuits, puff biscuits which are also known as khari biscuits or patriwali biscuits. They also prepare sweet biscuits which include nankhatai and other biscuits in which sugar is used in their preparation. Their main contention was that the nimkin biscuits and their varieties do not contain any sugar at all and are consumed not as an item of luxury but as an item of food by poor or middle class people and therefore they should be considered tax free like bread and the varieties of bread. It was also argued that puff biscuits which are known as khari biscuits are prepared from same materials and in the same manner as khajli or khari puri which is tax free as farsan. It was also contended that butter biscuits are nothing but pieces of bread. As they go by different names, some officers allow them as tax free while they are taxed at other places. We have no hesitation in saying that different treatment by different officers on the same article in the matter of levy of tax should not happen and the department must see that such discrimination does not take place.

Since we have proposed a distinct higher turnover limit for small manufacturers and special establishments, we recommend that bakery dealers should be included in the special category for the purpose of higher turnover limit and we do not think any special consideration for puff or khari biscuit is found necessary.

**6.29 Zari.**— Zari industry is an important cottage industry concentrated in Surat city. It gives direct or indirect employment to about 30,000 persons. The number of persons employed directly in wire drawing alone comes to 3,000. The industry consumes bullion to the tune of Rs. 3 crores and copper worth Rs. 2.35 crores annually. The industry has suffered recently on account of high prices of gold and silver which formed principal raw materials of real zari. The articles manufactured by this industry include champā, gotā, badlā, kalma, katori, kasab, palav, braids, borders, laces and trimmings.

So far as sales tax is concerned, zari thread and embroidery materials of gold, silver or gilded metal including badla and kasab is taxable at 6 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax. Braids, borders, laces and trimmings when sold by weight at a price of not less than fifty paise ( per ten grams ) or when sold by length at a price of not less than fifty paise ( per metre ) are taxed at 8 percent sales tax, 3 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax.

Since most of the products of this industry have a market outside the State, concession has been allowed under section 8 (5) of the Central Sales Tax Act, 1956 whereby interstate sales of the specified goods attract Central Sales Tax at an uniform rate of 3 percent only and the traders are relieved of the necessity of producing declaration in form No. 'C' in support of such inter state sales. This is a significant concession to the industry.

Our attention was drawn to the recommendations of the Zari Industry Enquiry Committee which recommended discontinuance of levy of tax at different stages and recommended uniformity in the rate of sales tax in all the States so far zari and zari goods are concerned. The Committee recommended sales tax not exceeding 2 percent at one point as reasonable. The concessions given on the goods sold in course of inter-state-trade does not in our opinion, meet the point substantially as it has been pointed out to us that in zari trade, the practice of making purchases is such that small dealers from outside the State come to the manufacturing centre, examine the samples, order the goods to be manufactured and make purchases of manufactured goods on the spot. As such, rates of tax on local sales being high, the benefit of concession under the Central Sales Tax Act does not serve the purpose. It has also been pointed out to us that local rate of tax being low in other States, there is diversion of trade. We feel that peculiar practice existing in the zari trade need special consideration. The solution lies in our view in keeping the rate of tax under the local Act at a reasonable level.

Since we have proposed 3 percent as the basic rate of sales tax, we recommend that rate of tax of 3 percent on zari thread and embroidery materials of gold, silver or gilded metal including badla, champa, gota, kalma, katori, kasab, palav and excluding braids, borders, laces and trimmings.

As for braids, borders, laces and trimmings, it was particularly pointed out to us that the rate of tax based on prices differentiation caused great hardship to the dealers. The price of fifty naye paise was too low in the context of present prices and the rate of tax was very high. We have already expressed our view that we are not in favour of rate of tax being based on price differentiation as it encourages evasive practices. We do not see any sound reason in keeping tax at a very high rate on these products but, we think that they can bear a little higher rate of tax than other zari products. We, therefore, recommend that braids, borders, laces and trimmings irrespective of price related to weight or length should be taxed at 5 percent sales tax single point first stage. Incidentally manufacturers engaged in zari industry have stated before us that the amendments made in regard to recognition system should not be brought into force. We have considered this aspect alongwith our recommendations on the amendments in the recognition system.

6.30 *Akik*.— Akik stone manufacturing is a sort of cottage industry concentrated solely in Cambay. It provides employment to a fairly large number of poor families. Raw stones are treated and processed before they are produced as stones, beads etc. These articles are largely exported outside the country. The details regarding number of dealers, value of turnover, value of goods exported and the amount of tax received are given below :—

No. of dealers	Value of turnover	Value of goods exported	Amount of tax received			
1	2	3	4			
	Rs.	Rs.	S.	T.	G.	P. T.
43	17,70,000	9,52,000	3,400			110

The concession on export sales normally extended to other dealers are available to export of Akik Stones also. In addition, concession has been provided under the set-off rules, by extending the time limit upto 24 months ( instead of 9 months ) on the goods sent on consignment basis to the branches or agents in foreign countries. We have been told that the export trade in Akik is mostly by sale and not on consignment as in the case of precious stones and the concession under the set-off rules in relation to consignment did not serve the purpose. As 90 per cent of articles manufactured are exported outside the country, we would straight way recommend Akik stones to be exempted from the payment of tax on the lines recommended by the Committee on sales tax on export commodities ( Saraiya Committee ). The tax received on local sales is negligible and the proposed exemption from payment of tax would remove all other difficulties and hardships which are experienced by small dealers engaged in this trade without affecting the revenue of the State.

6.31 *Precious stones.*— Precious stones are imported from outside the country and processing is made in Cambay and in few other places. The processing consists of assorting and cutting stones to carat and sizes. The goods are mostly exported by consignment.

It has been urged before us by dealers in precious stones that after consignment, sales do not materialise generally within three years and hence the present limit of 24 months should be extended to 36 months.

It was also urged that assorting and cutting of stones according to carat and sizes should not be included in 'manufacture' and that trade of precious stones being mostly for export a form should be devised for purchases to be made by the exporters from local registered dealers.

We have examined the existing position and have noticed that owing to peculiar trade practice existing in the foreign countries, goods are not generally sold within 24 months and the permit granted by the Reserve Bank has also to be extended upto a period of 36 months. We recommend that on account of the peculiar conditions of the trade, the existing time limit of 24 months should be extended to 36 months in the case of precious stones.

We also recommend that mixing, sorting, moulding, bleaching, polishing, cutting, reshaping, recutting, grinding, drilling holes in and stringing of precious stones ( including diamonds ) and pearls and bunching of pearls should be declared as not included in 'manufacture'. We suggest that stringing should mean stringing in plain cotton or silk thread and bunching means tying together the stringing of pearls, the end of which are tied in zari thread but should not include stringing of pearls or precious stones or bunching of pearls or with combination of any precious or ornamental metal.

Another point raised before us was regarding reduction of tax on precious stones from 8 per cent to 2 per cent. Concession on export already exists and we see no reason to reduce the local rate of tax to as low as 2 per cent. However, consistent with our recommendations on rationalisation of tax structure, we propose the rate of tax on precious stones to be levied at 7 per cent.

6.32 *Synthetic stones.*— Synthetic stones are mostly imported from Switzerland and are brought into several parts of this country including Gujarat for cutting. It was represented before us that rate of tax is higher in Gujarat than any of the other places to which they are imported and the present rate of tax should be reduced to 3 per cent. As for export trade in this commodity, the trade stands on the same footing as other dealers engaged in export trade and enjoy similar concessions. The rate of tax on local sales is kept at 8 per cent on the consideration that synthetic stones are items of luxury. There is no fear of diversion of trade on account of disparity in the rates of tax elsewhere and we do not consider it necessary to recommend modification in the existing rate of tax on the grounds urged before us. However, consistent with our recommendations on rationalisation of tax structure, we have proposed a rate of tax on synthetic stones to be levied at 7 per cent.

6.33 *Embroidered Articles*.— A large number of cloth dealers have represented to us that while cloth is tax free, embroidery super imposed on cloth, made the embroidered articles taxable and there were difficulties experienced by various interpretations put on whether the type of embroidery was such that the article was cloth as such or that it was a distinct product which was taxable. Several samples were shown to us. The cases brought to our notice were of three different types *viz* :—

- (1) embroidery in the process of weaving,
- (2) embroidery subsequent to the process of weaving but the embroidered cloth is subjected to additional excise duty,
- (3) simple decoration which does not materially add to the value of cloth.

A saree decorated in the process of its weaving is not deemed to be a decorated saree by virtue of an explanation added to the entry pertaining to sarees embroidered or otherwise decorated. The reasoning behind insertion of such an explanation is obvious and we agree that a fabric which is embroidered or otherwise decorated in the process of weaving should not be deemed to be decorated fabric.

If any fabric is subjected to process of embroidery after its manufacture as a fabric has been completed, it can not longer be called a fabric as defined by entry 19 of Schedule I to the Central Excise and Salt Act and it becomes an embroidered fabric in terms of the judgment of the High Court of Gujarat in *M/s. Pravin Bros.* The decision related to embroidered sarees and relevant observations are as under :—

“ If a saree piece which is a cotton fabric, is subjected to process of embroidery after its manufacture as a cotton fabric has been completed, it can no longer be called a cotton fabric as defined by entry 19 of Schedule I to the Central Excise and Salt Act and it becomes an embroidered saree within the meaning of entry 3 of schedule E. As already pointed out, the process of embroidery is not a process incidental or ancillary to its manufacture as defined in section 2 (f) of the Central Excise and Salt Act, 1944. It is something which is an additional thing super imposed on already manufactured cotton fabric and it is that additional thing which is neither incidental nor ancillary to the completion of the process of its manufacture which brings it under Entry 3 of Schedule E to the Act.”

While we do not dispute the reasoning of the High Court which was called upon to interpret the specific entry defined in the Act, we feel that if a fabric is subjected to process of embroidery after its manufacture as fabric has been completed either in the same factory or in another factory but it is shown that the products have moved from one factory to another according to the regulations of the Central Excise department and the final product has borne the Additional Excise Duty in lieu of Sales Tax, the question of levying sales tax on such embroidered fabric requires special consideration. We recommend that under such circumstances where the embroidered fabric has borne Additional Excise Duty in lieu of Sales Tax on the value of the final product, such embroidered fabric should be deemed not be embroidered fabric for the purposes of levy of sales tax.

The third type of cases presented before us were of simple decoration made on cloth. The main emphasis of the representations made before us was on the fact that the decoration was so simple, mostly done by hand or use of simple skill that it did not materially add to the value of the cloth on which such decoration was made. As the cloth is tax free, mere decoration of this types makes it taxable and it was argued that such simple decoration should not be deemed to be decoration made on cloth. We have considered the arguments very carefully. We do not find it easy to distinguish between simple decoration and decoration which materially adds to the value of cloth. No distinction can be made on decoration made by hand or by machine. Similarly no distinction can be made with preciseness between decoration which does or does not add to the material value of the cloth. If decoration adding to the value of the cloth upto a certain proportion of the total value is taken as a basis, it will also cause several difficulties of producing evidence as to the actual value of the labour and material involved in the decoration. In absence of any satisfactory solution, we think that whether a cloth or fabric is embroidered or otherwise decorated should be left to be judged

on merits of each case. We have recommended ready-made cloths to be taxed at a reasonable level of tax and on the same analogy and on the same logic of value added we recommend that cloth or fabric embroidered or otherwise decorated should be taxed at a reasonable rate of tax. As we propose the rate of tax at 3 per cent and remove price differentiation based on the different slabs of price, many of the difficulties experienced by the dealers, will be removed and will also prevent evasion of tax.

**6.34 Wool.**— Production of wool and wool tops are confined mostly in the northern Districts of the State. The articles of wool which are relevant for the purpose of sales tax are raw wool, wool tops and woollen yarn (other than knitting yarn).

At present "raw wool", "wool tops" and "woollen yarn" (other than knitting yarn) are covered by entry 2 of Schedule 'D' and liable to tax at 3 per cent general sales tax,  $\frac{1}{4}$  per cent retail sales tax. The knitting woollen yarn is covered under residuary entry and is liable to 3 per cent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax.

It was represented to us that raw wool being an important export commodity should be totally exempted from payment of tax.

Since wool is an export commodity, such wool as is exported is free from tax both under the Bombay Sales Tax Act and Central Sales Tax Act. Besides by system of Authorisation and set-off, adequate provisions exist to impart freedom from tax to the sales and purchases of wool entering the chain of export trade. As a special concession the normal time limit of 12 months for the resale of the goods consigned to branches or agents in foreign countries has specially been extended to 18 months for raw wool. Concessions also exist under entries 11 and 18 of the notifications issued under section 41.

We think that adequate concessions exist to facilitate the export trade in wool. As the value of wool exported outside the country is less than 80 per cent of the total production in the State, we do not recommend total exemption for raw wool from payment of tax as this will involve foregoing revenues from sales tax charged on local and inter state sales.

We were also told that the purchases of raw wool is made mostly from illiterate people by small commission agent who find it difficult to furnish elaborate details which are prescribed in the form of commission agent. We have considered simplification of this form in our recommendations made hereafter and this difficulty will not survive.

**6.35 Elastic tape.**— The manufacturers of the elastic tape represented to us that it is woven on power loom by small and scattered manufacturers. The product is used in ready-made clothes and hosiery articles. There is a good market for elastic tape outside the State and it is a practice in the trade that small dealers from outside the State visit the producing centre and place orders and goods are supplied on the strength of orders placed. Since the small dealers outside the State are not registered under the Central Sales Tax Act and are not in a position to give 'C' forms, they are required to pay 10 per cent Central Sales Tax. This leads to diversion of trade and the dealers have requested for concession as given in the case of zari goods.

We have recommended the local rate of tax of elastic tape at 5 per cent in our rationalisation proposal. We also recommend that for such dealers who sell the goods outside the State they may be exempted from the production of 'C' form.

**6.36 Contractors engaged in works contract.**— Building Contractor's Association have represented before us that building contractors are executing contracts for construction of building on behalf of their clients.

It was contended that the building contractors had not to pay any Sales Tax as they had no sales of taxable goods and yet they had to get themselves registered under the present Act, if their purchases were more than Rs. 30,000 and had to comply with other requirements of filing returns, assessments etc. Instances were cited before us when the amount of purchase tax payable by the contractors was almost insignificant

compared to their total turnover as building contractors. We do not think that total exemptions to building contractors should be considered as the building contractors are liable to pay purchase tax for purchases made from unregistered dealers. It was also stated by the association that the contractors had to maintain a detailed register of all purchases even made by them though they had to pay small amount of tax on purchases made from unregistered dealers.

We have considered the position of dealers who are entering with works contract but have to make small purchases from unregistered dealers and recommend that all such dealers should be brought within the scheme of annual return and simple manner of assessment which will meet with the difficulties of dealers who enter into works contract but are liable to pay purchase tax on materials purchased by them. We also suggest that the department should issue suitable instructions for details to be maintained by such dealers at the minimum.

6.37 *Dealers dealing in tax free goods.*—It has been represented before us particularly by tobacco dealers that a dealer having a volume of sales of exempted goods which was in excess of the minimum prescribed turnover had to get himself registered and to comply with various requirements of the law on account of even negligible volume of sale of taxable goods which he kept in stock perhaps more for the convenience for trade than for earning profit on such sales. Concrete instances were cited before us. In one case a dealer's turnover for one year was Rs. 5,42,387 and the annual tax assessed was Rs. 3.90 only. In another instance the total turnover was Rs. 4,13,120 while tax assessed was Rs. 1.50 only.

We have already recommended that the limits of taxable goods sold or purchased by importers or manufacturers should be raised from Rs. 2,500 to Rs. 3,000. We, further, recommend that dealers who are exclusively dealing in tax free goods, but are liable to pay tax on account of small purchases of packing materials or the like, should be brought under the scheme of annual returns and simple assessment. We also suggest that the department should issue suitable instructions for details to be maintained by such dealers at the minimum.

6.38 *Special problems as clue to broad conclusions.*— We have discussed various special problems above, as we think that special problems though of vital bearing to the class of dealers to whom they relate, viewed in a wider setting, they also provide a clue to some broad conclusions which permeate the thread of recommendations which we make on the terms of reference in the chapters that follow.



## CHAPTER SEVEN

**RATIONALISATION OF THE STRUCTURE**

7.01. *Rationalisation of the structure.*—A complicated rate structure is an anathema both to the administration and the tax payer. The sum-total of all the suggestions received by us on the system while disclosing no inherent weakness in the system itself have sufficiently highlighted several features of the structure of sales tax which make the working of the system complicated. We have also studied a few special problems which point to the need for rationalisation of the structure. We have no doubt that the structure requires to be rationalised and simplification has to be brought about in the schedules, grouping of commodities and the rates of tax.

Our approach to rationalisation of the structure has been on the following lines viz., (i) reduction of schedules, (ii) reviewing commodities, sale or purchase of which should be free from all taxes (iii) reviewing the taxable commodities and to consider which of the commodities can be appropriately and conveniently taxed at the first stage or the last stage or both the stages keeping in view (a) nature of goods, (b) trade channels through which such goods move, (c) convenience of the dealers dealing in such goods and (d) prevention of evasion of tax, and (e) over all revenue consideration.

While considering the changes in the structure on the above lines, substantial simplification is sought to be made by (a) deletion of redundant entries, (b) redefining certain entries in light of judicial interpretation and experience, (c) removal of different rates of tax based on price differentiation or based on weight or measure, as far as possible, (d) bringing different entries under the same or similar rates of tax keeping in view the dealer's convenience and (e) reducing the number of tax rates as far as possible.

7.02 *Schedules.*—We recommend only three schedules, schedule I of tax free goods, schedule II of goods taxed at single point first stage or single point last stage and schedule III of goods taxed at two stages. Schedule II may be conveniently divided into two Parts, Part A dealing with goods taxed at single point first stage and part B dealing with goods taxed at single point last stage.

We have given the Schedules I, IIA, IIB and III at the end of this chapter.

7.03 *Principles for exemptions.*—We have reviewed the various categories of goods, sale or purchase of which is tax free from all taxes under the present schedule 'A'. We have also reviewed the exemptions granted to specified class of sales or purchases from payment of the whole or any part of any tax under the notifications issued by the State Government. The exemptions are based on a variety of considerations. We are of the opinion that the selection of goods for exemptions should be governed by definite principles. Usually such exemptions are in pursuance of social, economic or cultural objectives. However, the list of exemptions should not, be too wide, result in discrimination or distortion of trade and exemptions should be confined to a few but well defined categories.

Following these principles, goods for exemption from payment of tax are classed as (a) necessities of life, (b) perishable goods, (c) used in agricultural production (d) goods for promotion of educational objects, (e) goods to be exempted on account of All India Policy or State policy or International commitments, (f) goods to be exempted on account of taxability under other Acts and (g) goods to be exempted on cultural grounds.

We recommend that sale or purchase of goods shown in Schedule I should be free from all taxes as they fall, in our opinion within the classification made above and most of which have enjoyed exemption since the introduction of the Sales Tax in the areas of the State.

7.04. *Removal of exemptions from the present schedule 'A'* We find that the commodities (a) to (j) stated below which enjoy exemption at present, would not conform to the general principles for exemptions recommended above. On the contrary, we think that there are sufficient reasons for with-holding the exemptions as discussed below :—

(a) *Articles and utensils of Kansa.*—Articles and Utensils made of Kansa ( bell metal ).

Articles and utensils made of Kansa ( bell metal ) were exempted on the recommendations made by the previous committee. The committee had observed that the Kansa industry was a specialised one, was located at a few centres and needed encouragement in view of the dwindling trade. We are told that utensils made of Kansa are mostly out of use and that there are no specialised dealers for manufacture of articles and utensils of Kansa alone. Dealers who manufacture and deal in utensils of Kansa, are the dealers who deal in utensils made of other non-ferrous metal. Such dealers usually purchase brass or copper scrap for manufacture of Kansa alloy. Although they can make purchases of brass and copper free of tax, Kansa scrap is not considered tax free. We are told by associations of metal merchants that if rationalisation of tax is aimed, there is no objection if articles made of Kansa and Kansa scrap are also taxed. We, therefore, see, no justification, for all these reasons, to continue exemption on articles and utensils of Kansa.

(b) and (c) *Chillies, tamarind and turmeric.*—Chillies, tamarind and turmeric whole or powdered and Chilly powder.

Chillies, tamarind and turmeric, whole or powdered are exempt from tax except when sold in sealed containers. Chilly powder is tax free whether sold in sealed container or not. The previous committee had recommended that these commodities should not enjoy exemptions. Agreeing with the reasons given by the previous committee, we recommend that these commodities should be removed from the list of exemptions and should be taxed along with similar articles of trade such as Jira, Methi and Ajma, all of which are sold by the same class of dealers and which can be taxed at the same rate of tax without any difficulty to dealers or consumers.

(d) *Coconut.*—Coconut in shell and separated kernel of coconut other than copra.

We do not find any reasons which justify exemption of coconut in shell and separated kernal of coconut other than copra and recommend that these articles should be removed from the list of exempted goods.

(e) *Fertilisers.*—Fertilisers.

Fertilisers are tax free at present. Manures are also tax free. Although no scientific distinction can be drawn between manures and fertilisers, we find that chemical fertilisers are distinguished from organic manure and are taxed in several States. We see no reason why chemical fertilisers should not be made taxable.

Fertilisers have been exempted from payment of tax so far with a view to provide incentive to agricultural production. We do not think incentive by way of exemption from tax would be necessary any longer. We have taken into account the views of the committee on fertiliser appointed under the Chairmanship of Shri B. Sivaraman by the Ministry of Food and Agriculture, Government of India, which recommended that the States should forthwith abolish the sales tax on fertiliser. The committee believed that at a time when the need was to keep down fertiliser price by subsidising them when necessary, it was not appropriate to levy various taxes and duties on fertilisers which had the effect of increasing the price paid by the consumers. This was at a time when the fertilisers were not available in adequate supply

and they were yet to be popularised on a wider scale. The production of fertiliser has since increased manifold and the use of chemical fertiliser as an important input in agricultural production has been accepted by millions of cultivators. We do not think also that the element of tax by way of sales tax which we propose is going to make appreciable impact on the price which may serve as a disincentive.

We, therefore, recommend that fertilisers should be removed from the tax free entry and should be taxed at 3 per cent sales tax. If for any reason Government considers to keep the rate of sales tax lower than 3 per cent, it is competent to do so by issuing a notification but such notification should be issued for a period for which low rate of tax is found necessary.

(f) *Footwear made by hand*.—Footwear made by hand without using power at any stage.

Hand-made footwear is exempt from payment of tax. The previous committee recommended exemption on the ground that a large section of the community was dependent on this occupation and encouragement to such small manufacturers of handmade foot-wear was found necessary. We think that under the scheme which we have recommended for small manufacturers, the object will be more conveniently achieved by raising the limits of turnover for artisans and craftsmen and small manufacturers. We, therefore recommend that hand-made foot-wear should be removed from the list of exempted goods. We further recommend that the manufacturers of hand made footwear should be covered under the special higher limits of turnover which we have recommended for small manufacturers.

(g) *Gur*.—Gur but not including Kakavi or Kakab or molasses.

Gur was recommended to be taxed by the previous committee. Agreeing with the reasons given by the previous committee, we recommend that Gur should be taxed and the present exemption on Gur should be removed.

(h) *Ready-made garments*.—Ready-made garments and other articles prepared from cotton, woollen and artificial silk textile fabrics including those which have been embroidered or otherwise decorated, sold at a price not exceeding ten rupees per article or suit.

Exemption on ready-made garments was considered on the ground that the principal raw material used therein *viz.*, textile is already subjected to Additional Excise Duty and the dealers do not get the benefit of set-off of tax paid on their purchases of textiles nor do they make purchases free of tax. There is no proscription against levy of sales tax on such goods, the main constituent of which has suffered levy of Excise or Additional Excise but the sole consideration, in our opinion, in the incidence of tax which should be justified on the value added. We think that if ready-made garments are taxed at a reasonable rate, many of the difficulties will be removed. We, therefore, recommend that exemption on ready-made garments should be removed and a reasonable rate of tax on all ready-made garments without any price differentiation should be levied.

(i) *Silk fabrics*.—Silk fabrics as defined in Item No. 20 of the First Schedule to the Central Excise and Salt Act, 1944.

Silk fabrics were exempt from tax as Additional Excise Duty was levied on silk fabrics. With the removal of Additional Excise Duty, this commodity can be taxed for the purpose of sales tax and we see no reason for continuing exemption on silk fabrics any longer.

(j) *Silk worm and cocoons*.—Silk worm eggs and silk worm cocoons.

We recommend removal of exemption on silk worm eggs and silk worm cocoons from the exemption list as we understand that this exemption is redundant in this State.

7.05. *Additional goods for exemptions.*—We think that in conformity with the general principles for exemptions, the following categories of goods require to be exempted from the payment of tax.

(a) *Akik.*—In pursuance of the recommendations of the committee ( Saraiya Committee ) for exemptions from tax altogether in respect of goods where 80 per cent or more of the production is exported outside India, we have considered that Akik which has more than 80 per cent of the production in export trade, should be kept tax free. We, therefore, recommend to include Akik in the tax free schedule.

(b) *Answer books.*—It was pointed out to us that answer books which are exceeding eight pages are taxable under residuary entry as answer books are neither exercise books nor are books not containing space exceeding eight pages for writing which are tax free. As answer books like exercise books also promote the same object, we recommend that they should be exempted from payment of tax on the same analogy and for the same reasons as in respect of exercise books.

(c) *Educational films.*—It was brought to our notice that all films including educational films are liable to tax. As we have recommended continuance of exemption on certain goods on the ground of promotion of educational object, we recommend that films certified by Central Board of Films Censors to be predominantly educational in nature should be made exempt from payment of tax.

7.06. *Redefining exemptions in Schedule A.*—Several instances were pointed out to us where the existing entries of the tax free goods required to be redefined in light of judicial interpretation or experience.

(a) *Farsan.*—Farsan, that is to say eatables ( other than sweet preparations ) prepared wholly or mainly from gram or other pulses or gram flour or flour of other pulses and such preparations as the State Government may by notification in the *Official Gazette*, specify for the purpose, is tax free. Government has notified 21 preparations as farsan for this purpose. It has been brought to our notice that chevda other than made of potatoes is notified as exempt but this does not include Farari Chevdo which contains Potato chips. As these articles are prepared by the dealers who sell Farsan and are also articles which are sold with the articles of Farsan notified by the Government, Government should take steps to notify Katri, Farari Chevdo and Potato chips as Farsan in order to remove the difficulty.

(b) *Hotels and Restaurants.*—Cooked food ( excluding ice-cream and Kulfi ) and non-alcoholic drinks not containing ice-cream served at one time at a price of not more than one rupee and fifty paise per person, for consumption at or outside any eating house, restaurant, hotel, refreshment room or boarding establishment which is not a shop or establishment conducted primarily for the sale of sweetmeats, confectionery, cakes, biscuits or pastries is tax free. It was brought to our notice that the exemption limited to Rs. 1.50 paise was low in the context of present price and should be raised to Rs 2 or even more. Previously the exemption was confined to sales at a price not more than Re 1. It was raised to Rs. 1.50 by later amendment. We think that in the context of present price and consistent with object of exemption, the limit of Rs. 1.50 should be raised to Rs. 2.

(c) *Products of Khadi and Village Industries.*—The products of Khadi and Village Industries are exempt from the payment of tax when sold by a producer or a dealer certified for the purpose by the Commissioner after taking into account the recommendations of the Gujarat Rajya Khadi and Gramodhyog Board. As discussed earlier, individual artisans are discriminated as no certificate is issued to them by the Board. We have already recommended that the State Government should arrive at some administrative arrangements in consultation with Khadi and Village Industries Board. If the Khadi and Village

Industries Board, cannot make arrangements, the machinery at the disposal of Registrar of Co-operative Societies who is in charge of Khadi and Village Industries should be utilised for making inquiries as may be found necessary and the Commissioner may issue certificate on the recommendation of the Gujarat Rajya Khadi and Village Industries Board or the Registrar of Co-operative Societies as the case may be. We, therefore, recommend that provision should be made that products of Village Industries as defined in the Khadi and Village Industries Commission Act, 1956, should be tax free when sold by a producer or a dealer certified for the purpose by the Commissioner in the manner prescribed and the Government may prescribe the manner in light of the above.

(d) *Handloom cloth*.—Handloom cloth of all varieties when sold at a price less than Rs. 15 per metre is tax free. Our attention has been drawn to the decision of the High Court in the case of M/s. Vrajlal Bhukhandas in which it was held that the 'cloth' is not the same as 'fabric'. As a result of this interpretation, Shetranji was not treated handloom cloth although it was woven on handloom. Government had, therefore, to exempt Shetranji woven out of handspun yarn on handloom by amending the provision. Again, Nadapatti, Lamp-wicks, Taps, Ribbons, Navar, Bandages and Gauges which are woven on handloom were not treated as handloom cloth and Government exempted sales of these articles from payment of tax by a notification under Section 41. We think that all these difficulties can be removed by amending the present entry by substituting the word 'cloth' by the word 'fabric'. We also recommend that handloom fabric of all varieties when sold at a price less than Rs. 10 per metre only should be exempted from payment of tax.

(e) *Glass and ivory bangles*.—Glass bangles and ivory bangles (Chudas and Chudis) not ornamented in any manner are exempt from payment of tax on cultural ground. We recommend continuance of this exemption on cultural ground but suggest that Chudas and Chudis which are coloured will not be deemed to be ornamented merely on that account.

(f) *Mangalsutra*.—Mangalsutra with black glass beads sold at price not exceeding Rs. 10 each is tax free. This exemption is considered on cultural ground. Mangalsutra is usually a combination of beads to be threaded with gold bead. Exemption of Mangalsutra sold at a price not exceeding Rs. 10 each does not have any practical utility. We, therefore, suggest that Mangalsutra with black glass beads if sold at a price not exceeding Rs. 50 each should be treated as tax free.

7.07 *Scope for exemptions under section 41*.—We have reviewed the existing notifications which have been issued under Section 41 of the Act. There are 55 such notifications in existence as shown in Annexure III of the Questionnaire. It was represented before us that such power to grant exemption is arbitrary and that the number of exemptions granted was so large that they were generally not known to the public or even to dealers concerned.

We have considered the scope of granting exemptions under the provisions. We think that it becomes necessary on many occasions to exempt in public interest any specific class of sale or purchase from payment of the whole or any part of any tax payable under the provisions of the Act and such power to exempt has a definite advantage in that it imparts flexibility. We, therefore, recommend that such power should continue to vest in the Government. However, such power should be confined to the exemptions of specified class of sales or purchases and not to exemptions on specific goods which can be exempted by including in tax free schedule as far as possible. We further recommend that exemptions which are of a permanent nature should be embodied either in the provisions of law or in the schedule of tax free goods. Exemptions which have temporary utility should be reviewed from time to time so that such exemptions can be withdrawn as soon as they have outlived their utility. We also recommend that the exemptions granted by notifications from time to time should be kept at the minimum, should be reviewed and prevailing exemptions should be published periodically for the information of the public.

7.08 *Reviewing exemptions under section 41.*—Consistent with our general observations above, we wish to make specific recommendations on the existing exemptions shown in Annexure III to the Questionnaire ( Appendix C ) as under :—

(a) Exemptions in Serial No. 1 to 7 being of a permanent nature, may be incorporated into separate and independent provisions in the Act.

(b) Exemptions in Serial No. 8, 13, 19, 20, 28 being capable of being included in the tax free schedule, should be covered in the schedule of tax free goods.

(c) Exemptions in Serial No. 9, 10, 27, 29, 30, 40, 50, 51 being covered by various amendments which we have proposed in the Act, may be withdrawn.

(d) Exemptions in Serial No. 14, 17, 21, 22, 31 being redundant or having outlived utility, may be withdrawn.

(e) Exemptions in Serial No. 23, 37 are not justified on grounds stated by us and may be withdrawn.

(f) Notifications at Serial No. 35 and 38 are already deleted.

(g) Exemptions in Serial No. 11, 12, 15, 15A, 16, 18, 24 to 26, 32 to 34, 36, 39, 41 to 49 and 52 to 55 may be continued subject to notifications to be reviewed by the Government in light of the recommendations made.

7.09 *Reasons for recommendations* :—We now give detailed reasons for our specific recommendations as under :—

(a) Sr. Nos. 1 to 5 relate to sales to or by Canteen Stores Department ( India ) of goods certified by it being intended for being sold to members of Armed Forces in India. Sr. No. 6 and 7 relate to sales of goods to offices and agencies of the United Nations organisations and other international organisations. The exemptions being of permanent nature may be incorporated into separate and independent provisions in the Act.

(b) *Contraceptives.*—Sr. No. 8 relates to sales of contraceptives by the Family Planning Association of India, Bombay ( hereinafter referred to as the Association ) to a Clinic run under the administrative control and management of a State Government or a local authority or supervised by the Association itself or managed and conducted by a voluntary organisation recognised by the Association. This is again hedged in by conditions. We do not see any reason for restrictive exemption of this nature when the policy is clearly to encourage free use of contraceptives. We, therefore, recommend total exemption without conditions and irrespective of the sales by recognised associations to condoms and loops ( intrauterine contraceptive devices ).

(c) *Vaccines, Toxoids and Sera.*—Sr. No. 13 relates to sales of vaccines, toxoids or sera by the Haffkine Institute, Bombay to a municipality, district local board, or cantonment board or to a charitable hospital, dispensary or clinic. This is also circumscribed by conditions. We suggest that vaccines, toxoids or sera which are essential to human life, should be totally exempted irrespective of any conditions as such conditions do not serve any practical utility but on the contrary cause complications.

(d) *Patola Sarees and Kinkhab.*—Sr. Nos. 19 and 20 relate to sales of patola sarees, scarves or other articles woven on handlooms and sales of pure silk kinkhab cloth. We are told that there are only a few families engaged in the manufacture of patolas and kinkhab. Exemptions have been considered on sales of patola and kinkhab as a measure of protection to the special craft or persons engaged in the manufacture of those goods. As patola and kinkhab articles are manufactured by a few families, their products can be controlled. We, therefore, recommend that patola sarees, scarves or other articles woven on handloom by artisans engaged in the patola industry and pure silk kinkhab

cloth should be made totally exempt from tax and be included in the Schedule of tax free goods subject to conditions as in the case of Khadi and village Industries products to a certificate to be issued by the Commissioner for the purpose.

(e) *Garlands, Venis and Bouquet of fresh flowers.*—Sr. No. 28 relates to sales of garlands, venis and bouquet of fresh flowers. Flowers are tax free and we have recommended that they should be continued to be tax free as perishable goods. Garlands, venis and bouquet of fresh flowers are also perishable and there is no reason why venis, gajra, garlands and such other articles prepared from fresh flowers (excluding those of artificial flowers) should not enjoy total exemption. Preparation of garland, venis and gajra of fresh flowers is considered a process and the dealers dealing in flowers are liable to registration on reaching a turnover limit prescribed for manufacturers. The Government by special notification has exempted sales by such dealers upto a turnover of Rs. 30,000. Instead of adopting such an indirect course, we recommend that Venis, Gajra, Garlands and such other articles prepared from fresh flowers (excluding those of artificial flowers) which are also perishable should be treated exempt from payment of tax.

(f) *Small manufacturers or special establishments.*—Sr. No. 9 relates to sales of cooked food or sweets or sweetmeats by dealers conducting eating house, restaurant, hotel, refreshment room or boarding establishment or a shop or establishment conducted primarily for the sale of sweetmeats, cakes, biscuits or pastries under certain conditions. Sr. No. 10, 27, 40, and 50 relate to printing press, hand made footwear, parched, roasted or salted groundnut seeds or groundnuts and photographs. In all such cases the Government have under the notifications exempted the sales of such dealers upto a turnover of Rs. 30,000 under certain conditions. Several other small manufacturers or special establishments have represented before us that their sales should also be exempted upto a limit of Rs. 30,000. It seems that the Government have issued notifications from time to time in respect of manufacturers who could represent their special difficulties while other manufacturers who also undergo the same or similar difficulties could not enjoy exemption. An obvious example of discrimination brought to our notice was that of parching or roasting of Chana, Groundnut etc. While the parching or roasting of cereals or pulses without the addition thereto of any material except salt and turmeric during the process of heating is considered a process not included in manufacture, sales of parched, roasted or salted groundnut seeds or groundnuts are exempted by notification under section 41 upto a limit of Rs. 30,000. We find that such difficulties arise because a manufacturer is liable to pay tax if his limit of turnover exceeds Rs. 20,000. The word 'manufacture' used for the purposes of turnover limit has the same meaning as 'manufacture' defined in section 2(17) of the Act. As such a small manufacturer as well as a big industry both fall in the same category for the purpose of turnover limit. In order to exclude small manufacturer, again resort has to be taken to exempt sales of such small manufacturer by notification under section 41 upto a limit of Rs. 30,000. We think that such an indirect course causes complications or at times discrimination. We, therefore, think that convenient way of solving these difficulties will be to provide for a higher turnover limit for small manufacturers, village artisans and craftsmen and certain special establishment as may be notified by the Government from time to time.

(g) *Retail sales tax on bullion and specie.*—Sr. No. 29 relates to exemption from the payment of retail sales tax on sales of bullion and specie. We have recommended abolition of retail sales tax and as such this exemption will become redundant.

(h) *Exemption from purchase tax on schedule E goods.*—Sr. No. 30 relates to the exemption from payment of general sales tax on resales of goods specified in schedule 'E' on the purchase price of which the dealer is liable to pay purchase tax under the Act of the Act. We have recommended amendment in the Act and as such this notification will be redundant.

(i) *Nada-patti, Lamp wicks, Tapes, Ribbons, Navar, Bandages and Gauges.*—Sr. No. 51 relates to exemption from payment of tax of sales of Nada-patti. Lamp wicks, Tapes and Ribbons, Navar, Bandages and Gauges woven on handloom. We have recommended the existing entry of handloom cloth to be amended and as the handloom fabric which we propose to exempt will include all such articles woven on handlooms, the present exemption would not be found necessary.

(j) *Redundant exemptions.*—We recommend deletion of entries at Sr. Nos. 14, 17, 21, 22, 31 in Annexure III to the questionnaire, as they are either redundant or have outlived utility.

(k) *Electrical Undertaking.*—Sr. No. 16 relates to sales of specified goods by a registered dealer to an electrical undertaking on furnishing of a declaration by the electrical undertaking to the selling dealer. We are not in favour of special exemption to any industrial or commercial undertaking except temporary exemptions for promotion of industries passing through difficult phase. We wish to refer in this connection to the recommendation made by the committee on the working of the State Electricity Boards (Venkatraman committee 1964), that immediate objective of the State Electricity Board should be to achieve self-sufficiency i. e. revenue should be earned to cover operation and maintain charges, to depression and general reserve and interest charges on loans. As a second phase objective, the committee recommended that the board should aim at achieving a balance of revenues after meeting all the charges indicated in the first phase, working out a net return of 3 per cent on the capital basis. Boards which have already achieved the first phase, it was stated, should immediately proceed to realise the second phase and the other boards should aim at achieving the second phase within three to five years of their achieving the first phase.

We feel that time has come when continuance of such exemptions any longer will present an incorrect picture of the working of the Gujarat State Electricity Board and will not be in -keeping with the recommendations made by Venkatraman Committee. We think, however, that Gujarat has to rely on thermal generation only which is comparatively costlier and withdrawal of concession at this stage may further add to the cost of generation. We, therefore, recommend that the exemption relating to sales of specified goods by the registered dealers to an electrical undertaking may be continued and Government may reconsider the position at a suitable time.

(l) *Sales to Charitable hospitals, dispensaries or clinics.*—Sr. No. 23 relates to sales of iron and steel furniture to a charitable hospital, dispensary or clinic which is certified by the commissioner for the purpose. We do not favour exemption from payment of tax of sales to such institutions, charitable hospitals, dispensary or clinic which generally receive grant-in-aid, from the Government. Exemption from payment of tax will operate as hidden subsidy.

(m) *Tractors and spare parts and accessories thereof.*—Sr. No. 37 relates to exemption of general sales tax on sales of tractors and spare parts and accessories of tractors. We have recommended tractors and spare-parts and accessories of tractors to be taxed at 3 per cent as a part of our rationalisation proposals and we do not think that such an exemption would be found necessary.

7.10 *Schedules for taxable goods.*—We have reviewed the taxable commodities and have considered carefully which commodities can be selected for being taxed at single point first stage, single point last stage and also both at the first stage and the last stage. In doing so, we have also considered the commodities which could be taken out from the present 'E' schedule and placed either under the first point or at last point levy. We have also considered the commodities falling under residuary entry (E/22) and have selected some of them as are ascertainable and can bear description for being taxed appropriately either at the first stage or at the last stage. We recommend that sales tax should be levied on sale or purchase of goods shown in schedule II Part A at the rates shown against the commodities. We also recommend that general sales tax should be levied on the commodities listed in Schedule



II part B at the rates shown against them. We further recommend that the Commodities shown in Schedule III should be subjected both at the first stage and at the last stage at the rates of sales tax and general sales tax shown against them.

7.11 *Tax rates.*—The rates of tax vary at present between  $\frac{1}{4}$  per cent and 45 per cent and the number of slabs of rate of tax are as many as 16. The lowest rate of tax is  $\frac{1}{4}$  per cent on bullion and specie and on articles of gold and the higher rates are 15 per cent, 30 per cent and 45 per cent on ganja, bhang, opium, non-potable liquors, spirituous medicinal preparations containing more than twelve per cent by volume of alcohol and country liquor. These are special rates adopted for special reasons. While we recommend continuance of these special rates of tax for special reasons which are well-known, we have proposed only six slabs of rate of tax for the rest of the goods. We believe that the arrangements of commodities looking to the convenience of traders, the incidence of tax, the reduction in number of slabs and removal of price differentiation will be conducive to rationalisation of the structure.

7.12 *Rationalisation of rates.*—We have recommended increase or decrease of tax, grouping of commodities and removal of price differentiation in several commodities for reasons discussed below :—

(a) *Agricultural machinery—*

Agricultural machinery and implements (other than implements covered in tax-free schedule) and parts of such machinery and implements are taxable at rates of 3 per cent at present. Tractors and spare-parts and accessories thereof and water pumping sets are not included in the agricultural machinery at present. The tractors are used in agriculture but their only use is not that in agriculture. Our attention has been drawn to the decisions of the various courts which have interpreted commodities to fall within agricultural machinery on the test of primary and predominant use. Tractors in our country have at the present stage of development a large scale use in agriculture. Similarly water pumping sets have also a predominant use in agricultural production. We think that all these commodities which have known predominant use in agriculture should be specifically brought alongwith agricultural machinery instead of being left to interpretation about their predominant use. We have therefore proposed tractors and spare-parts and accessories thereof and the water-pumping sets to be included in the entry of agricultural machinery and implements.

We have proposed a rate of tax of 3 per cent on all these commodities as a part of our rationalisation proposals. It was represented before us that electrical motor and oil engines are taxable at 3 per cent. However, water-pumping sets being taxable under the residuary entry, water-pumping sets coupled with electric motors or oil engines are also taxed under that entry. If electrical motors and pumping sets were sold separately or as stated by the dealers if they are shown separately in the bill, electric motors would be taxed at 3 per cent, and water-pumping sets would be taxed at 6 per cent. This position seems to us to be anomalous and leads to practice of billing the commodities in such a way as to avoid the tax. In order to remove this anomaly, we have proposed water-pumping sets which are also predominantly used in agriculture not to be taxed separately from agricultural machinery or differently from electric motors and oil engines.

(b) *Art silk yarn and waste.*—

Art silk yarn is taxed at 2 per cent at present. We recommend that art silk yarn should be taxed at 3 per cent, which is the basic rate of tax proposed by us. If, however, for special reasons, Government considers that the rate of tax should be kept lower than the basic rate of tax, it may be so by issuing a notification for lower rate of tax and that the notification may be reviewed at a suitable time in future.

Art silk yarn does not include at present art silk yarn waste. In absence of specific entry of art silk yarn waste, doubts are often expressed whether

the art silk yarn would include waste also or that the art silk yarn waste should fall under the residuary entry. In order to remove doubts, we recommend that the entry of art silk yarn should include art silk yarn waste also.

(c) *Silicate of soda.*—

Caustic soda and soda ash are used in soap-manufacturing. The soap-manufacturers represented before us that they have to purchase silicate of soda in the manufacture of soap. Caustic soda is taxable under entry 18 of Schedule C, while silicate of soda is taxable under entry 4 of Schedule C. We recommend that caustic soda, soda ash and silicate of soda should all to be grouped under one entry and be subjected to a tax of 5 per cent single point first stage.

(d) *Packing materials.*—

Articles used as packing materials are included in entry at Serial. No. 6 in Schedule 'C'. The entry is exhaustive and no other commodities which are used as packing materials will be treated as packing materials under this entry unless they are specifically included by amendment in the Act. As number of packing materials are left out and new packing materials are brought in use from time to time, we suggest that the entry should include such other packing materials as the State Government may by notification issue in the *Official Gazette*, specify for the purpose.

(e) *Handloom fabric.*—

We have recommended earlier that handloom fabric of all varieties when sold at a price less than Rs. 10 per metre only should be exempted from payment of tax. We further recommend that handloom fabric of all varieties when sold at a price not less than Rs. 10 per metre should be taxed at 3 per cent sales tax.

(f) *Raincoats and umbrellas of all kinds.*—

Raincoats and umbrellas are ascertainable commodities and can be taxed under a separate entry. It was represented to us that umbrellas are taxed under the residuary ( E-22 ) and the rate of tax being high, it leads to evasion of tax. It was further represented that umbrellas are made of umbrella cloth which is tax-free and of bars which fall within the category of declared goods-while product after combination of these articles is taxed at a high rate. Raincoats are also taxed under E-22 at present. Raincoats and umbrellas are generally sold by dealers dealing in hosiery goods and ready-made garments. As all such articles are proposed to be taxed at 3 percent in our rationalisation proposals, it will be convenient and advantageous to keep rain coats and umbrellas under a separate entry at 3 percent sales tax.

(g) *Raw silk and silk yarn including waste thereof.*—

Raw silk and silk yarn are taxed at 3 percent at present. Raw silk and silk yarn does not include at present raw silk yarn waste. In absence of specific entry of raw silk yarn waste, doubts are often expressed whether the raw silk and silk yarn would include waste also or that the silk yarn waste should fall under the residuary entry. In order to remove doubts, we recommend that the entry of raw silk and silk yarn should include silk yarn waste also.

(h) *Ready-made garments.*—

We have already recommended that ready-made garments and other articles prepared from cotton, woollen and art silk or silk fabrics including those which have been embroidered or otherwise decorated should be removed from the exemption list. We find that ready-made garments are taxed at present under three other entries, viz. ready-made garments and other articles prepared from cotton, woollen and silk fabrics, sold at a price exceeding Rs. 10 per article or suit are taxed at 4 percent general sales tax and  $\frac{1}{4}$  percent retail sales tax, articles or personal wear which have been embroidered or otherwise decorated

are taxed at 8 percent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  percent retail sales tax and articles made of silk fabrics including those embroidered or otherwise decorated are taxed at 10 percent sales tax, 3 percent general sales tax and  $\frac{1}{4}$  per cent retail sales tax. Ready-made cloth dealers generally stock and sales clothes made of cotton, woollen, art-silk or silk etc. Ready-made clothes or garments are also made partly of cotton and partly of art-silk or silk or other mixed fabrics. Different rates of tax cause considerable difficulties to dealers and to the administration. It also results in evasion of tax. We, therefore, recommend that ready-made garments and other articles (other than ready-made garments and other articles prepared from Khadi) prepared from any textile or handloom fabrics including those which have been embroidered or otherwise decorated should all be taxed at 3 per cent at the first stage.

(i) *Sarees of all kinds embroidered or otherwise decorated :—*

We have already referred to the complications which arise out of large number of entries based on price differentiation for sarees embroidered or otherwise decorated. As a part of our rationalisation proposals, we recommend that sarees of all kinds embroidered or otherwise decorated irrespective of price should be taxed at 3 per cent sales tax.

(j) *Fabrics of all kinds embroidered or otherwise decorated :—*

Fabrics of all kinds embroidered or otherwise decorated are taxed at present under the residuary entry. We have already described earlier while dealing with special problem of embroidered articles that cloth or fabric embroidered or otherwise decorated should be taxed at reasonable rate of tax on the same analogy and the same logic of value added as in the case of ready-made clothes. We, therefore, recommend 3 per cent sales tax to be levied on fabrics of all kinds embroidered or otherwise decorated. In order to remove any doubt, however, it should be made clear that sarees or fabrics decorated in the process of weaving should not be deemed to be decorated saree or fabric. It should also be made clear that if a fabric is subjected to process of embroidery after its manufacture as fabric has been completed either in the same factory or in other factory but it is shown that the products have moved from one factory to another according to the regulations of the Central Excise Department and the final product has born additional excise duty in lieu of sales tax. Such embroidered fabric should be deemed not to be embroidered fabric for the purpose of levy of sales tax. सत्यमेव जयते

(k) *Staple fibre and waste thereof :—*

Staple fibre and staple fibre yarn are taxed at 3 per cent at present. Staple fibre and staple fibre yarn does not include at present staple fibre waste. In absence of specific entry of staple fibre waste, doubts are often expressed whether the staple fibre and staple fibre yarn should include staple fibre waste also or that the staple fibre waste should fall under the residuary entry. In order to remove doubts, we recommend that the entry of staple fibre and staple fibre yarn should include staple fibre waste also.

(l) *Starches and maize flour and topiaco flour :—*

Starches are taxed at 3 per cent sales tax. Maize flour which is mostly used as starch is, however, included in flour which is tax-free. Topiaco flour is taxed under the residuary entry. There is no reason to exempt maize flour or to tax topiaco flour at a different rate, while all are used as starches and we recommend that the entry of flour in tax-free schedule should exclude maize flour and starches in taxable entry should include maize flour and topiaco flour also. We, therefore, recommend starches and maize flour and topiaco flour be taxed at 3 per cent sales tax.

(m) *Woollen yarn (other than knitting yarn) but including woollen yarn waste :*

Woollen yarn (other than knitting yarn) is taxed at 3 per cent at present. Woollen yarn does not include at present woollen yarn waste. In absence of specific entry of woollen yarn waste, doubts are often expressed whether the

woollen yarn should include woollen yarn waste also or that the woollen yarn waste should fall under the residuary entry. In order to remove doubts, we recommend that the entry of woollen yarn should include woollen yarn waste also.

(n) *Footwear.*—

We have already referred to difficulties arising out of different rates of tax based on price differentiation. We have also recommended that hand-made footwear should be removed from the list of exempted goods. There are two other entries of footwear sold at a price less than Rs. 18 per pair taxed at 5 per cent sales tax and footwear sold at a price not less than Rs. 18 per pair taxed at 10 per cent sales tax. Since we do not recommend exemption for hand-made footwear and since we have recommended the removal of price differentiation, we recommend that footwear, irrespective of whether made by hand or not or irrespective of price should be taxed at 5 per cent sales tax.

(o) *Bicycles, tricycles, tandom cycles and cycle combinations and tyres, tubes accessories and parts thereof :*

Bicycles and their parts are taxable at present at 7 per cent sales tax and  $\frac{1}{4}$  per cent retail sales tax. Tricycles are not included therein and therefore are taxable under the residuary entry. As tricycles are commodities of the same description and as they are sold by the same dealers, there is no reason why there should be different rates of tax for bicycles and tricycles. We, therefore, recommend that bicycles and tricycles, tandom cycles and cycle combinations and tyres, tubes, accessories and parts thereof should be taxed at 7 per cent sales tax.

(p) *Cement and articles made of cement :—*

Cement is taxable at 7 per cent sales tax while articles made of cement are taxable at 5 per cent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax. The differentiation between articles made of cement and floor and wall tiles made of cement is not rational and is likely to cause evasion of tax. We, therefore, recommend that cement and articles made of cement, that is to say articles in making of which cement is used irrespective of the proportion in which it is used including floor and wall tiles should be taxed at 7 per cent sales tax.

(q) *Glassware.*—

We have referred to the difficulties arising out of different rates of tax on glassware, chinaware and articles made of porcelain adapted for domestic use sold at different price. We have also referred to the difficulties of calculating the rates of tax on articles sold per piece. Since we do not favour price differentiation we recommend that glassware, chinaware or articles made of porcelain and glazed earthenware should be taxed at 7 per cent sales tax irrespective of price differentiation or articles being sold per piece.

(r) *Timru leaves :—*

Timru leaves are taxed at present under residuary entry. It was represented to us that timru leaves are purchased like timber and other forest products from the forest department. We recommend that timru leaves should be put under a separate entry and taxed at 7 per cent sales tax.

(s) *Fireworks including matches and other substances ordinarily used as fire works :—*

Fireworks normally include matches and other substances ordinarily used as fire works but in absence of such details, doubts expressed whether fire works would include matches or other substances ordinarily used as fire works. In order to remove such doubts, we recommend that the entry of fire works should include matches and other substances ordinarily used as fire works.

(t) *Furniture of all kinds including safes, cup-boards, almirahas, upholstered furniture and skeletons of furniture :—*

Furniture is taxed at 7 per cent but iron and steel safes, almirahas and furniture and upholstered furniture are taxed at 10 per cent sales tax and  $\frac{1}{4}$  per cent retail sales tax. The skeletons of furniture are taxed under the residuary entry. We do not think that wooden furniture or steel furniture can be distinguished on the ground of utility or luxury. The manufacturers of wooden furniture as well as steel furniture produce utility furniture as well as luxury furniture. It is difficult to make distinction on the basis of material used or the description of furniture or the intended use. We, therefore, see no reason to keep any distinction between furniture of different kinds or to distinguish skeletons of furniture from furniture and we recommend that furniture of all kinds including safes, cup-boards, almirahas, upholstered furniture and skeletons of furniture should be all taxed at 10 per cent sales tax.

(u) *Ply wood, flushdoors, decorative sheets, such as formica, sanmica and synthetic wood and others and articles prepared from plywood, decorative sheets and synthetic wood.*

In absence of specific entry flushdoors and plywood are taxed at present under the residuary entry. As flushdoors and plywood are used for decorative furniture, we think that flushdoor and plywood can be taxed under separate entry. The use of decorative sheets such as formica, sanmica and others and synthetic wood is increasing day to day and have acquired an acceptable identity in common parlance. We, therefore, recommend that plywood, flushdoors, decorative sheets, such as formica, sanmica and others and synthetic wood and articles prepared from plywood and decorative sheets and synthetic wood should all be taxed at 10 per cent sales tax.

(v) *Isabgul.*—Isabgul is used in manufacture of sut-isabgul which is an export item. Isabgul is taxed at present under residuary entry. We see no reason why isabgul should not be brought under a separate entry and be taxed at 3 per cent general sales tax and to treat it as prohibited entry. We, therefore, recommend that isabgul should be taxed at 3 per cent general sales tax and should be treated as prohibited entry.

(w) *Hair combs, hair pins, razors, razor blades, tooth brush and shaving brush :—*

Hair combs are taxable at 5 per cent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax. Hair pins are taxable at 10 per cent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax. Razors and razor blades are taxable at 5 per cent sales tax. Tooth brush is at present taxable as toilet articles at 10 per cent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax. Shaving brush is being taxed at toilet article. However, it has been held by the Tribunal that shaving brush is not a toilet article and is liable to tax under the residuary entry. Reference on this point is pending before the High Court. In order to remove different rates of tax and ambiguity, we recommend that all these articles which are similar in nature should be brought under one entry and should be taxed at a rate of 5 per cent sales tax and 3 per cent general sales tax.

(x) *Toilet articles.—*

Hair oil is taxed at present at 6 per cent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax. Toilet articles including hair cream and hair tonic are taxed at 10 per cent sales tax, 3 per cent general sales tax and  $\frac{1}{4}$  per cent retail sales tax. Toilet articles also include perfumes depilatories and cosmetics except soap. We recommend that toilet articles including hair oil, hair cream and hair tonic excluding soap should be grouped together and be taxed at 5 per cent sales tax and 3 per cent general sales tax. We further recommend that perfumes, natural and synthetic essential oils and their compounds and aromatic chemicals and their compounds, depilatories and cosmetics should all be taxed at 7 per cent sales tax and 3 per cent general sales tax.

7.13 *Analysis of schedules.*— As a result of proposals for rationalisation as stated above, out of 55 tax-free goods under Schedule 'A', 31 commodities are recommended to be continued without change as tax-free in Schedule 'I'; 14 commodities are continued with modification; 10 commodities are proposed to be removed from exemptions and 5 commodities are proposed to be added under exemption list. Schedule 'I' contains 47 entries.

Under the Schedule 'B', part I and Schedule 'C', 78 commodities were taxable at the first stage. Out of them, 49 commodities are continued without change; 27 commodities are continued with modification; 2 commodities are removed and 41 commodities are added for being taxed at the first stage in part 'A' of Schedule 'II', which contains 93 entries.

Schedule 'B', part II and Schedule 'D' contain 18 commodities taxed at last point. Out of these, 9 commodities are continued without change; 3 commodities are continued with modification; 6 commodities are removed and 1 commodity is added for being taxed at the last stage in part 'B' of Schedule 'II'. This contains 13 entries.

Schedule 'E' contains 33 specific commodities and all residuary goods taxed at the first point as well as last point. Out of these, 8 commodities are continued without change; 4 commodities are continued with modifications; 21 commodities are removed and one commodity is added for being taxed both at the first and at the last stage in Schedule 'III'.

Eighteen commodities which hitherto were included in residuary entry are now inserted either as independent entries or covered under similar entries. Ten commodities of specific description are removed and hence they would fall in the residuary entry. Schedule 'III' contains 11 entries and all other residuary goods not falling in any of the schedules.

7.14 *Harmonization of tax rates.*— Although different systems of sales tax exist in different States in India, attempts have been made from time to time to bring about uniformity in the State law and more particularly to achieve some degree of uniformity in the tax burden on certain goods. The earliest attempt was in the Official Conference-1953 convened by the Government of India when the question of non-resident dealers was discussed. Later development resulted in the enactment of the Central Sales Tax Act which sought to achieve uniformity in the rates to be prescribed for the inter-State transactions and the rate of tax to be levied on goods of special importance. The question of uniform levy of sales tax through out India on certain goods was again discussed at the Conference of State Officials in 1966, and a decision has been taken to enlarge the list of existing commodities on which a uniform minimum rate of tax could be fixed.

We think that this is a step in the right direction of harmonization of tax-rates and the process may be carried further to cover more number of luxury goods within the agreed list on which uniform minimum rate of tax could be levied by all States. The uniform minimum rate of tax should be revised in the context of changing economic conditions and the need for taxing luxury goods at higher rates. We recommend that the following steps may be taken by the State Government:—

(a) The State Government may take initiative in calling periodical zonal or regional meeting of neighbouring States to discuss problems of common importance including on the harmonization of tax-rates.

(b) The State Government may take up with the Government of India for adoption by States, a uniform agreed list of goods to be exempted by all States. This will prevent evasion of tax and impact of unfair competition with similar goods taxed elsewhere.

(c) State Government may take up with the Government of India the question of bringing uniformity in certain concepts and definitions which feature in legislations of all the States and also bring about uniformity in certain procedure which are generally common in legislation of the States.

7.15 *Financial implications.*— We have incorporated our recommendations in the schedules which are appended as Schedule 'I' Schedule II, Part 'A', and Part 'B' and Schedule 'III'. While considering the rationalisation of the structure we have kept in view overall revenue considerations. The financial effects of the recommendations made by us are broadly discussed below :—

(a) We have recommended additional exemptions for vaccines, toxoids and sera, akik, patola and kinkhab sarees. As these commodities were already exempted under section 41, there will be no loss of revenue on this account. 90 per cent of the akik is exported and the loss of revenue on account of exemption of tax on local sales is estimated to be Rs. 3,500 which is negligible. The loss of revenue on account of exemption to educational films will be insignificant.

(b) As against the inclusion of additional items of exemption, 13 items are proposed to be removed from the schedule of tax-free goods and we have proposed these items to be taxed at appropriate rates in the schedules of taxable goods. For want of statistics on commoditywise collection of tax, it is not possible to give estimates of revenue which will accrue from tax on these commodities. But articles made of kansa, chilly, chilly powder, tamarind, turmeric powder, gur, fertiliser, ready-made garments, silk fabrics etc. will bring sizeable revenue to the State.

(c) As a part of our rationalisation proposals, we have proposed reduction in the rates of tax on certain commodities and increase in the rates of tax on several other commodities as stated in Schedules II and III. For want of statistics of commoditywise collection of tax, it is difficult to estimate the financial effect. However, in our opinion, net effect of our proposals for reduction and increase in the rates of tax will not result in diminution of revenues.

On the whole, there may be an appreciation in the revenues on account of our proposals discussed in sub-paras (a), (b) and (c) above, but there will not be any loss in the revenues to the State.

(d) The loss of revenues on account of the abolition of retail sales tax which according to the revenues receipts in the year 1966-67 was in the neighbourhood of Rs. 99.60 lakhs annually. But in order to meet this loss, we have proposed increase in the rate of tax from  $6\frac{1}{4}$  per cent to 7 per cent on commodities falling in the residuary entry No. 12 of Schedule III.

(e) We have recommended a special higher turnover limit of Rs. 30,000 for small manufacturers, village artisans and craftsmen and special establishments. As most of these dealers enjoyed a limit of Rs. 30,000 under the notifications issued by the Government under section 41, we do not think that there will be any appreciable loss of revenue to the State.

We also think that the following factors will contribute to yield progressive and higher revenues :—

- (i) The removal of price differentiation will prevent evasion of tax.
- (ii) Uniform rate of tax on similar commodities or commodities sold by the same dealers will result in easier calculations of tax by dealers and by the department and will ensure legitimate revenues.
- (iii) The rates of tax proposed on many commodities will prevent diversion of trade which will ultimately result in better revenues.
- (iv) The simplified and rationalised structure will save much of the time of the department which can concentrate on prevention of evasion on one hand and can devote time on revenue-yielding and bigger cases on the other hand.
- (v) Besides, various recommendations which we have made, will create a psychological climate in which honest tax-payers will be encouraged to pay legitimate tax, temptation for malpractices resulting into loss of tax will be reduced and the structure will provide a base for flexible and progressive revenues.

## Schedule I of Goods, sale or purchase of which is proposed to be free from all taxes

Sr. No.	Description of goods	Conditions and Exceptions subject to which exemption is granted	Reference to previous entry
1	2	3	4
(a) <i>Necessaries of Life</i>			
1	Bread in any form .. .. .		A-5
2	Cereals and pulses in all forms and flour thereof except maize flour.	Except when sold in sealed containers.	A-10 A-21
3	Cooked food (excluding ice-creams and <i>kulfi</i> ) and non-alcoholic drinks not containing ice-creams served at one time at a price of not more than two rupees per person, for consumption at or outside any eating house, restaurant, hotel, refreshment room or boarding establishment which is not shop or establishment conducted primarily for the sale of sweetmeat, confectionery, cakes, biscuits or pastries.		A-14
4	Eggs .. .. .		A-16
5	<i>Farsan</i> , that is to say eatables (other than sweet preparations) prepared wholly or mainly from gram or other pulses or gram flour or flour of other pulses and such preparations as the State Government may by notification in the <i>Official Gazette</i> , specify for the purposes of this entry.		A-17
6	(a) Firewood and charcoal .. .. .		A-19
	(b) Coal gas .. .. .	When sold by a gas supply company to a local authority for consumption by such local authority for the purposes of street lighting.	A-13
7	Fish .. .. .	Except when sold in sealed containers.	A-20
8	Fresh vegetables .. .. .		A-26
9	Meat (excluding flesh of poultry and of feathered game).	Except when sold in sealed containers.	A-35
10	(i) Milk, whole or separated or reconstituted .. .. .		A-36
	(ii) Butter, milk, curds, <i>lassi</i> and <i>chakka</i> .. .. .		A-7
11	Salt .. .. .		A-43
12	Vaccines, toxoids or sera .. .. .		New C 13 S-41/13
13	Water (other than aerated, mineral, medicinal or tonic water).		A-50
(b) <i>Perishable Goods</i>			
14	Betal leaves and <i>pan</i> , <i>tambul</i> , <i>vida</i> or <i>patti</i> prepared from betal leaves.		A-3
15	(i) Flowers (excluding artificial flowers) .. .. .		A-23
	(ii) <i>Veni</i> , <i>gajra</i> , garlands and such other articles prepared from fresh flowers (excluding those of artificial flowers).		New E-22 S. 41/28
16	Fresh fruits .. .. .		A-25
17	Plantain leaves .. .. .		A-39
18	Wet dates known as <i>khajur</i> or <i>zahedi</i> or by any other name.		A-50-A



Sr. No.	Description of goods	Conditions and Exception, subject to which exemption is granted	Reference to previous entry
1	2	3	4
(c) Goods used in Agricultural Production			
19	Agricultural implements worked or operated exclusively by human or animal agency, and the parts thereof, which are ordinarily not also used otherwise than as such parts.		A-1
20	Bullock-carts and spareparts thereof .. ..		A-6
21	Cattle-feed including fodder and concentrates but excluding cotton-seeds and oil cakes.		A-9
22	Cattle, sheep and goats .. .. .		A-8
23	Flower, fruit and vegetable seeds; seeds of lucerne grass ( <i>rajka</i> ) and of sann hemp; bulbs; and plants other than orchids.		A-22
24	Manures (excluding chemical fertiliser and oil cakes).		A-34
25	Poultry feed ... ..		A-39-A
(d) Educational objects			
26	Books and periodicals including almanacs, <i>panchangs</i> , exercise books, drawing books and examination answer books. (But excluding catalogues, all publications which mainly publicise goods and articles for commercial purposes, race-cards, account books, diaries, calenders and books containing space exceeding eight pages for writing).		A-4 } A-45 } A-22 }
27	Films certified by the Central Board of Film Censors to be predominantly educational in nature.		New C-51
28	Slates and slate-pencils; chalk-sticks and crayons; foot rules, lead pencils, mathematical instrument boxes and school colour boxes.		A-45
(e) All India Policy or State Policy or International Commitments			
29	Agate ( <i>Akik</i> ) stones and articles made therefrom ...		New E-22
30	<i>Charkha</i> and other implements (and spareparts thereof) used in the production of hand-spun yarn as may be specified by the State Government by notification in the <i>Official Gazette</i> .		A-11
31	Condoms and loops (intrauterine contraceptive devices).	..	A-13B S-41/8
32	Handloom and parts thereof .. ..	..	A-30
33	Handloom fabrics of all varieties (excluding pile carpets braids, borders, laces and trimmings) when sold at a price less than Ten Rupees per metre.	..	A-29 S-41/51
34	Patola sarees, scarves or other articles woven on hand looms by artisans engaged in patola Industry.	When sold by a producer or a dealer certified for this purpose by the Commissioner	New S-41/19
35	(a) Products of village Industries as defined in the Khadi and Village Industries Commission Act 1956.	1. When sold by a producer (or a dealer) certified for this purpose by the Commissioner in the manner prescribed.	A-40
	(b) Silk Khadi and ready made garments and other articles prepared from Khadi.	2. When sold by another dealer who has purchased the goods from a producer or dealer certified under condition (1).	

Sr. No.	Description of goods	Conditions and Exception subject to which exemption is granted	Reference to previous entry
1	2	3	4
	(c) Cotton, silk or woollen yarn handspun in India and articles knitted by hand from such yarn or from a mixture of any two or all such yarns.		
	<i>Explanation</i> —For the purposes of this entry “Khadi” means any cloth woven on handloom in India from cotton silk or woollen yarn handspun in India or from the mixture of any two or all such yarn, and “Silk Khadi” means cloth woven on hand loom in India from silk yarn handspun in India.		
36	Pure Silk Kinkhab cloth.	When sold by a producer or a dealer certified for this purpose by the Commissioner.	S-41/20
	<i>Explanation</i> —		
	(1) “Kinkhab cloth” means handloom cloth interwoven with pure silk yarn and jari thread in which the design or patterns are made without the use of jacquard or doubies or both.		
	(2) Pure silk fabric means cloth of which the content (excluding the jari thread content) is not less than 60 per cent of pure silk.		
	(f) <i>Taxability under other Acts</i>		
37	Cotton fabrics as defined in item No. 19 of the First schedule to the Central Excise and Salt Act, 1944.		A-15
38	Electrical energy		A-16A
39	Motor spirit as defined in the Bombay Sales of Motor Spirit Taxation Act, 1958.		A-37
40	Rayon or artificial silk fabrics as defined in item No. 22 of the First Schedule to the Central Excise and Salt Act, 1944.		A-41
41	Stamp-papers sold by vendors duly authorised under the provisions of the Bombay Stamp Act, 1958, or the Indian Stamp Act, 1899.		A-16
42	Sugar as defined in item No. 1 of the First Schedule to the Central Excises and Salt Act, 1944.		A-47
43	Tobacco as defined in item No. 4 of the First Schedule to the Central Excises and Salt Act, 1944.		A-49
44	Woollen fabrics, as defined in item No. 21 of the First Schedule to the Central Excises and Salt Act, 1944.		A-51
	(g) <i>Goods to be exempted on cultural grounds</i>		
45	Glass bangles and Ivory bangles (chudas and chudis) not ornamented in any manner.		A-27
	<i>Explanation</i> —		
	Colouring of Ivory bangles (chudas and chudies) would not be considered as ornamentation.		
46	Kumkum		A-32
47	Mangalsutra with black glass beads sold at a price not exceeding Rs. Fifty each.		A-32

## Schedule II—Part-A of goods taxed at single point first stage

Sr. No.	Description of goods	Reference to existing entry	Existing rate of tax			Proposed rate of tax	
			S. T.	G. S. T.	R. S. T.	S. T.	G. S. T.
1	2	3	4	5	6	7	8
1	Coal including coke in all its forms.	B-I-1	3	..	..	3	..
2	Cotton yarn, but not including cotton yarn waste.	B-I-2	3	..	..	3	..
3	Iron and steel, that is to say : (a) Pig iron and iron scrap; (b) Iron plates sold in the same form in which they are directly produced by the rolling mill; (c) Steel scrap, steel ingots, steel billets, steel bars and rods; (d) (i) Steel plates (ii) Steel sheets .. (iii) Steel bars and tin bars. (iv) Rolled steel sections .. (v) Tool alloy steel ..	B-I-3	3	..	—	3	—
4	Silk fabrics as defined in item No. 20 of the first Schedule to the Central Excise and Salt Act, 1944.	A-43-A	Tax free	..	..	3	..
5	(1) Agricultural machinery and implements (other than implements specified in entry 19 in Schedule I) and spare-parts of such machinery and implements. (2) Tractors and spareparts and accessories thereof. (3) Water pumping sets ..	C-12 New E-22 New E-22	3 3 3	.. 3 3	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$	3 3 3	— — ..
6	Artificial silk yarn including artificial yarn waste.	C-2	2	..	$\frac{1}{2}$	3	..
7	Chemical fertilisers ..	New A-18	Tax free	..	—	3	—
8	Cotton yarn waste and cotton waste.	C-1	3	..	$\frac{1}{2}$	3	—
9	Dyes and chemicals other than those specified in any other entry in this or any other schedule.	C-4	3	—	$\frac{1}{2}$	3	—
10	(1) Drugs and medicines (other than those specified in entry 12 in Schedule I and entry 91 in this Schedule). (2) Vitaminised infant milk food sold in sealed containers.	C-13 (1) C-13 (2)	3 3	— ..	$\frac{1}{2}$ $\frac{1}{2}$	3 3	— —
11	Furnace oil ..	C-5	3	—	$\frac{1}{2}$	3	—

(1) S. T. = sales tax.

(2) G. S. T. = General sales tax.

(3) R. S. T. = Retail sales tax.

Sr. No.	Description of goods	Reference to existing entry	Existing rate of tax			Proposed rate of tax	
			S. T.	G. S. T.	R. S. T.	S. T.	G. S. T.
1	2	3	4	5	6	7	8
12	Groundnut husks (Fotri) ..	C-5A	3	—	$\frac{1}{2}$	3	—
13	The following articles that is to say—	C-6	3	—	$\frac{1}{2}$	3	..
	(i) Gunny bags and hessian						
	(i) Jute twine						
	(iii) Brown paper and other paper adopted for use in packing goods.						
	(iv) Card Board boxes and a Cartons.						
	(v) Empty Tius and empty barrels,						
	(vi) Wooden boxes (khokhas) and tin boxes.						
	(vii) Empty bottles and corks						
	(viii) Polythene packing materials						
	(ix) Paper lables and such other packing materials as the State Government may by a notification in the Official Gazette specify for the purpose of this entry.	New	3	3	$\frac{1}{2}$	—	..
14	Handloom fabrics of all varieties when sold at a price not less than ten rupees per meter.	E-2B	3	..	$\frac{1}{2}$	3	—
15	Kerosene — —	C-14A	3	..	$\frac{1}{2}$	3	—
16	Lubricants — —	C-7	3	..	$\frac{1}{2}$	3	—
17	(1) Machinery used in the manufacture of goods and spare-parts and accessories there of, but excluding machinery and spare parts and accessories there of specified in any other entry in this schedule.	C-15	3	..	$\frac{1}{2}$	3	—
	(2) Electric motors and oil engines and spare parts and accessories thereof.	C-15(2)	3	—	$\frac{1}{2}$	3	—
18	Rain coats and umbrellas of all kinds.	New E-22	3	3	$\frac{1}{2}$	3	—
19	Raw silk and silk yarn including waste thereof.	C-8	3	..	$\frac{1}{2}$	3	—
20	Ready-made garments and other articles (not being garments and articles to which entry 35 in Schedule I applies, prepared from any textile or handloom fabrics including those which have been embroidered or other wise decorated).	A-42 D-4 E-8 E-13A	.. .. 8 10	.. 4 3 3	.. $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$	3 — .. —	— — .. —
21	Safety matches (excluding matches ordinarily used as fireworks).	C-9	3	..	$\frac{1}{2}$	3	—

Sr. No.	Descriptions of goods	Reference to existing entry	Existing rate of tax			Proposed rate of tax	
			S.T.	G.S.T.	R.S.T.	S.T.	G.S.T.
1	2	3	4	5	6	7	8
22	(1) Sarees of all kinds embroi- dered or otherwise decorated.	E-3 (not exceeding Rs. 12)(Less than Rs. 18) E-11A ( Less than Rs. 30). E-19 (not less than Rs. 30).	2 5 8 10	2 2 3 3	$\frac{1}{4}$ $\frac{1}{4}$ $\frac{1}{4}$ $\frac{1}{4}$	3 .. .. .. ..	.. .. .. .. ..
	(2) Fabrics of all kinds embroi- dered or other wise decorated.	E-22	3	3	$\frac{1}{4}$	3	..
<i>Explanation :</i>							
	(i) A saree of fabric decorated in the process of its weaving shall not be deemed to be a decorated saree or fabric for the purpose of this entry.						
	(ii) Merely to tie the ends or to untie the ends by removing weft thread would not be considered decoration.						
23	Sheets, rods, bars, slabs, blocks, ingots, circles, and scrap of non-ferrous metal and alloys.	C-23 E-22	5 3	-- 3	$\frac{1}{4}$ $\frac{1}{4}$	3 --	-- --
24	Staple fibre and staple fibre yarn, terylene fibre and terylene fibre yarn and all other synthetic fibres and synthetic yarns (other than those specified in any other entry in this or any other schedule) including waste thereof.	C-10	3	--	$\frac{1}{4}$	3	--
25	Steam	C-10A	5	--	$\frac{1}{4}$	3	--
26	Starches and maize flour and Topioca flour.	C-11 A-21 E-22	3 Tax free 3	-- Tax free 3	$\frac{1}{4}$ $\frac{1}{4}$ $\frac{1}{4}$	3 -- --	-- -- --
27	Woollen yarn (other than knitting yarn) but including woollen yarn waste.	D-2	--	3	$\frac{1}{4}$	3	--
28	Zari thread and embroidery materials of gold, silver and gilded metal including badla and kasab.	D-9	--	6	$\frac{1}{4}$	3	..
29	Betal nuts .. ..	C-3	3	--	$\frac{1}{4}$	5	--
30	Braids, borders, laces, trimmings and elastic tapes.	E-9	8	3	$\frac{1}{4}$	5	--
31	Bricks and roofing tiles ..	C-17	5	--	$\frac{1}{4}$	5	--
32	Caustic soda, Soda ash and sili- cate of soda.	C-18 C-4	5 3	-- ..	$\frac{1}{4}$ $\frac{1}{4}$	5 --	-- ..
33	Footwear .. ..	A-24 C-21 C-44F	Tax free 5 10	.. .. ..	$\frac{1}{4}$ $\frac{1}{4}$ $\frac{1}{4}$	5 .. ..	-- -- --
34	Paper, including news print and straw boards and card boards but excluding paper specified in entry 13 in this Schedule.	C-24 C-30	5 5	.. ..	$\frac{1}{4}$ $\frac{1}{4}$	5 --	-- --
35	Petroleum products, including light diesel oil but excluding lubricants, kerosene, solvent oil, furnance oil and also excluding motor spirit declared tax free under entry 39 in Schedule I.	C-23	5	..	$\frac{1}{4}$	5	--

Sr. No.	Description of goods	Reference to existing entry	Existing rate of tax			Proposed rate of tax		
			S. T.	G. S. T.	R. S. T.	S. T.	G. S. T.	R. S. T.
1	2	3	4	5	6	7	8	9
36	Sewing machines and spare parts and accessories thereof.	C-27	5	..	$\frac{1}{4}$	5	..	
37	Soaps .. .. .	C-28	5	..	$\frac{1}{4}$	5	..	
38	Timber (other than firewood) and Bamboo whether whole or split.	C-32	5	..	$\frac{1}{4}$	5	..	
39	Aerated waters and all non-alcoholic beverages (including fruit juices, squashes) syrups and cordials) when sold in sealed or capsuled or corked bottles or jars.	C-42A	10	..	$\frac{1}{4}$	7	..	
40	Cakes, biscuits and pastries ..	E-4	4	3	$\frac{1}{4}$	7	..	
41	Bicycles, tricycles, tandem cycles and cycle combinations and tyres, tubes, accessories and parts thereof.	C-40 E-22	7 3	.. 3	$\frac{1}{4}$ $\frac{1}{4}$	7 ..	.. ..	
42	(1) Cement .. .. .	C-35	7	..	$\frac{1}{4}$	7	..	
	(2) Articles made of cement, that is to say, articles in making of which cement is used irrespective of the proportion in which it is used including floor and wall tiles.	E-3B E-5	5 6	3 3	$\frac{1}{4}$ $\frac{1}{4}$	.. ..	.. ..	
43	Coal gas (other than that declared tax free under entry 6 in schedule I or specified in entry 84 in this Schedule).	C-19	5	..	$\frac{1}{4}$	7	..	
44	Crude oil, that is to say, petroleum in its natural state before it has been refined or otherwise treated.	C-33	6	..	$\frac{1}{4}$	7	..	
45	Electrical goods (other than those specified in entry 62 in this schedule) not being machinery used in the manufacture of goods; and spare parts and accessories of such machinery.	C-20	6	..	$\frac{1}{4}$	7	..	
46	Glassware; chinaware or articles made of porcelain and glazed earthenware.	C-14 C-44G	3 10	.. ..	$\frac{1}{4}$ $\frac{1}{4}$	7 ..	.. ..	
47	Hydrogenated vegetable oils including vanaspati.	C-42C	8	..	$\frac{1}{4}$	7	..	
48	Icecream, kulfi and non-alcoholic drinks containing ice-cream.	D-4A	..	6	$\frac{1}{4}$	7	..	
49	Jewellery, not being articles specified in entry 2 in schedule III and precious stone, synthetic or artificial precious stones and pearls, real, artificial or cultured.	D-10	8	..	$\frac{1}{4}$	7	..	
50	Musical instruments ..	E-18	10	3	$\frac{1}{4}$	7	..	
51	Natural and associated gas (other than inflammable gas supplied in closed containers as specified in entry 84 in this Schedule).	C-34	6	..	$\frac{1}{4}$	7	..	
52	Pepper and other spices ..	D-7	..	6	$\frac{1}{4}$	7	..	
53	Spectacles and lenses, goggles and glasses, rough blanks and spectacle frames and parts and accessories used therewith.	C-29	5	..	$\frac{1}{4}$	7	..	

Sr. No.	Description of goods	Reference to existing entry	Existing rate of tax			Proposed rate of tax	
			S. T.	G. S. T.	R. S. T.	S. T.	G. S. T.
1	2	3	4	5	6	7	8
54	Sweets and sweetmeats (including Shrikhand, basudi and Doodhpak) except when sold in sealed containers of weight not exceeding five kilograms in each container.	C-31 E-6	7 6	.. 3	$\frac{1}{4}$ $\frac{1}{4}$	7 ..	.. ..
55	Tinru leaves	E-22	3	3	$\frac{1}{4}$	7	..
56	X-ray apparatus and films, plates and other equipment required for use therewith and spare parts thereof.	C-42	7	..	$\frac{1}{4}$	7	..
57	Air-conditioning plant and spare parts thereof.	O-44C	10	..	$\frac{1}{4}$	10	..
58	Cinematographic equipments including camaras, projectors and sound recording and reproducing equipments, lenses and films required for use therewith and spare parts and accessories thereof but excluding films certified by the Central Board of Films Censors to be predominantly educational in nature.	C-51	10	..	$\frac{1}{4}$	10	..
59	Clocks, time pieces and watches and spare parts thereof.	E-10	8	3	$\frac{1}{4}$	10	..
60	Coffee, Chicori and tea in leaf or powder.	C-36	8	..	$\frac{1}{4}$	10	..
61	Dictaphone and other similar apparatus for recording sound and spare parts and accessories thereof.	C-44D	10	..	$\frac{1}{4}$	10	..
62	Domestic electrical appliances including electric fans and fluorescent tubes (including chokes, starters, fixtures and fittings and accessories) and other parts appertaining to such appliances but excluding bulbs.	E-15	10	3	$\frac{1}{4}$	10	..
63	Fire works including matches and other substances ordinarily used as fire works.	C-44E	10	..	$\frac{1}{4}$	10	..
64	Furniture of all kinds including safes, cupboards, almirahas, upholstered furniture, and skeletons of furniture.	C-40A C-44H E-22	7 10 3	.. .. ..	$\frac{1}{4}$ $\frac{1}{4}$ $\frac{1}{4}$	10 .. ..	.. .. ..
65	Ice	C-42D	10	..	$\frac{1}{4}$	10	..
66	Lifts whether operated by electricity or hydraulic power.	C-44I	10	..	$\frac{1}{4}$	10	..
67	(1) Motor vehicles including motor cars, motor taxi cabs, motor cycles, motor cycle combinations, motor scooters, motorettes, motor omnibuses, motor vans, motor lorries and chassis of motor vehicles.	C-44A	10	..	$\frac{1}{4}$	10	..
	(2) Component parts of motor vehicles specified in sub-entry (i) and other articles (including rubber and other tyres and tubes and batteries) adapted for use as parts and accessories of such vehicles, not being such articles as are ordinarily also used otherwise than as such parts and accessories.	C-42B	10	..	$\frac{1}{4}$	10	..

Sr. No.	Description of goods	References to existing entry	Existing rate of tax			Proposed rate of tax	
			S.T.	G.S.T.	R.S.T.	S.T.	G.S.T.
1	2	3	4	5	6	7	8
68	Paints, lacquors and varnishes	C-44B	10	..	$\frac{1}{2}$	10	..
69	Photographic and other cameras and enlargers, laces paper, films and plates required for use therewith and spare parts and accessories thereof.	C-41	10	..	$\frac{1}{2}$	10	..
70	Plywood, flushdoors, Decorative sheets, such as formica, saumica and others and articles prepared from plywood and decorative sheets.	New E-22	3	3	$\frac{1}{2}$	10	..
71	Refrigerators and mechanical water-coolers and spare parts thereof.	C-44J	10	..	$\frac{1}{2}$	10	..
72	(1) Sound transmitting equipment including telephones, loud-speakers and electrically operated gramophone record changers and spare parts of such equipments (but excluding sound amplifying apparatus carried on the person and adopted for use as a hearing aid ).	C-44K	10	..	$\frac{1}{2}$	10	..
	(2) Gramophones of every description and component parts thereof and gramophone records.	E-11B	8	3	$\frac{1}{2}$	10	..
73	Tabulating, calculating, cash registering, indexing, card punching, franking and addressing machines and spare parts of such machines.	C-44L	10	..	$\frac{1}{2}$	10	..
74	Typewriting and duplicating machines and teleprinters and taperecorders including tape for use in connection therewith and spare parts thereof.	C-44M	10	..	$\frac{1}{2}$	10	..
75	Vacuum flasks of all kinds including thermoses.	C-45	10	..	$\frac{1}{2}$	10	..
76	Wireless reception instruments and apparatus and radio gramophones and electrical valves, batteries, transmitters, accumulators, amplifiers and loud speakers required for use therewith and spare parts of such wireless instruments, apparatuses and radio gramophones.	C-45A	10	..	$\frac{1}{2}$	10	..
77	Aeroplanes and spare parts and accessories thereof.	C-46	12	..	$\frac{1}{2}$	12	..
78	Arms including rifles, revolvers, pistols and ammunitions thereof and spare parts thereof.	C-48	12	..	$\frac{1}{2}$	12	..
79	Binoculars, telescopes, opera glasses and spare parts thereof.	C-49	12	..	$\frac{1}{2}$	12	..
80	Cigarette cases and lighters ..	C-50	12	..	$\frac{1}{2}$	12	..
81	Culinary and flavouring essences	E-14	10	3	$\frac{1}{2}$	12	..
82	Furs and articles of personal or domestic use made therefrom.	C-54	12	..	$\frac{1}{2}$	12	..
83	Gold and silver filigree ..	C-55	12	..	$\frac{1}{2}$	12	..



Sr. No.	Descriptions of goods	Reference to existing entry	Existing rate of tax			Proposed rate of tax	
			S. T.	G. S. T.	R. S. T.	S. T.	G. S. T.
1		3	4	5	6	7	8
84	Inflammable gas supplied in closed containers.	E-10A	8	3	$\frac{1}{4}$	12	..
85	Marble and articles made from marble.	E-17	10	3	$\frac{1}{4}$	12	..
86	Pile carpets (excluding Shet-rauji).	C-59	12	..	$\frac{1}{4}$	12	..
87	Solvent oil .. ..	C-61	12	..	$\frac{1}{4}$	12	..
88	Ganja and Bhang .. ..	C-66	15	..	$\frac{1}{4}$	15	..
89	Non-portable liquors, that is ..	C-67	15	..	$\frac{1}{4}$	15	..
	(a) Rectified spirit .. ..		..	..	..	..	..
	(b) Denatured spirit .. ..		..	..	..	..	..
	(c) Methyl alcohol .. ..		..	..	..	..	..
	(d) Absolute alcohol .. ..		..	..	..	..	..
	(e) Any other liquor which the State Government may by notification in the Official Gazette, declare to be non-portable for the purposes of this entry.		..	..	..	..	..
90	Opium .. ..	C-68	15	..	$\frac{1}{4}$	15	..
91	Spirituous medicinal preparation containing more than 12 percent by volume of alcohol (but other than those which are declared by the State Government by notification in the Official Gazette to be not capable of causing intoxications).	C-69	30	..	$\frac{1}{4}$	30	..
92	Country liquors, that is all liquors other than foreign liquors manufactured in India and foreign liquors, that is, duty-paid portable foreign liquors brought into or manufactured in India including spirit, wines and fermented liquors.	C-70 सत्यमेव जयते	45	..	$\frac{1}{4}$	45	..

## Schedule II—Part B of goods taxed at single point last stage.

Sr. No.	Description of goods	References to existing entry	Existing rates of tax			Proposed rates of tax	
			S. T. 4	G.S.T. 5	R.S.T. 6	S.T. 7	G.S.T. 8
1	Cotton, that is to say, all kinds of cotton (indigenous or imported) in its unmanufactured state, whether ginned or unginned, baled pressed or otherwise but not including cotton waste.	B-II-1	..	3	..	..	3
2	Cotton seeds .. ..	B-II-2	..	3	..	..	3
3	Groundnut .. ..	B-II-3	..	3	..	..	3
4	Hides and skins, whether in a raw or dressed state.	B-II-4	..	3	..	..	3
5	Jute, that is to say, the fibre extracted from plants belonging to the species corchorus capsularis and corchorus olitorius and the fibre known as mesta or bimli extracted from plants or the species hibiscus cannopinus and hibiscus cubbariffavar altjissima, whether baled or otherwise.	B-II-5	..	3	..	..	3
6	Oil seeds, that is to say, seeds yielding non-volatile oils used for human consumption, or in industry, or in the manufacture of varnishes, soaps and the like, or in lubrication, and volatile oils used chiefly in medicines, perfumes, cosmetics and the like, but not cotton seeds and groundnut.	B-II-6	..	3	..	..	3
7	Butter and ghee .. ..	D-6	..	3	$\frac{1}{4}$	..	3
8	Gur including Kakavi or kakab or molasses.	A-28 D-3 E-22	.. .. 3	.. 3 3	.. $\frac{1}{4}$ $\frac{1}{4}$	..	3
9	Isab gul .. ..	E-22	3	3	$\frac{1}{4}$	..	3
10	Jira (cumin seeds), methi (Fenugrus seeds), Ajma (Ajwa) Chillies, Chilly powder, tamarrind and turmeric, whole or powdered.	D-2B A-12 A-12-A	.. .. ..	3 .. ..	$\frac{1}{4}$ .. ..	..	3
11	Oil cakes .. ..	D-2A	..	3	$\frac{1}{4}$	..	3
12	Raw wool and wool tops ..	D-2	..	3	$\frac{1}{4}$	..	3
13	Vegetable non essential oils other than hydrogenated vegetable oils.	D-6A	..	4	$\frac{1}{4}$	..	5

## Schedule III of goods liable to tax both at first stage and last stage (double point tax)

Sr. No.	Description of goods	References to existing entry	Existing rate of tax			Proposed rate of tax	
			S. T.	G. S. T.	R. S. T.	S. T.	G. S. T.
1	2	3	4	5	6	7	8
1	Bullion and specie .. ..	E-1	$\frac{1}{4}$	$\frac{1}{4}$	..	$\frac{1}{4}$	$\frac{1}{4}$
2	Articles made of gold (of fineness of not less than fifty percent) and of silver (of fineness of not less than fifty per cent), both not containing precious stones or pearls whether real, artificial or cultured of a value exceeding one tenth of the value of each such article.	E-2	$\frac{1}{4}$	$\frac{1}{4}$	..	$\frac{1}{4}$	$\frac{1}{4}$
3	(1) Hair combs, hair pins, Razors, Razor blades, Toothbrush and shaving Brush.	E-26	5	..	$\frac{1}{4}$	5	3
		E-3D	5	3	$\frac{1}{4}$	..	..
		E-22	3	3	$\frac{1}{4}$	..	..
		E-21-A	10	3	$\frac{1}{4}$	..	..
	(2) Toilet articles including hair oils, hair cream and hair tonic excluding soap.	E-7	6	3	$\frac{1}{4}$	5	3
		E-21-A	10	3	$\frac{1}{4}$	..	..
4	All kinds of stoves, pressure lamps, incandescent lanterns and lamps and cookers and spare parts and accessories thereof.	E-3A	5	3	$\frac{1}{4}$	5	3
5	Fountain pens, stylograph pens, ball-point pens and propelling pencils and spare parts and accessories of such pens and pencils.	E-3C	5	3	$\frac{1}{4}$	5	3
6	Foodstuffs and food provisions of all kinds (including dried fruits and dried vegetables; raw, semi-cooked, semi-processed or ready to serve foods; pickles, sauces, jars, marmalades, jellies; preserved fruit and honey) when sold in sealed containers of weight not exceeding Five Kilograms in each container, but excepting whole, separated or reconstituted milk, milk products, as specified in entry 7 in Schedule II, Part B vitaminised infant milk food sold in sealed containers as specified in entry 10 in schedule II part A edible oil, chilly powder and salt.	E-6	6	3	$\frac{1}{4}$	5	3
7	Perfumes, natural and synthetic essential oils and their compounds and aromatic chemicals and their compounds, depilatories and cosmetic.	E-21A	10	3	$\frac{1}{4}$	5	3
		E-22	3	3	$\frac{1}{4}$	..	..
8	Stainless steel articles including utensils (other than those used as part of Industrial machinery or plant).	E-20	10	3	$\frac{1}{4}$	7	3
9	Suit cases, attachee cases and despatch cases but excluding steel trunks and school bags made of steel or aluminium.	E-12	8	3	$\frac{1}{4}$	7	3
10	Table cutlery including knives, forks and spoons.	E-21	10	3	$\frac{1}{4}$	7	3
11	Articles of ivory other than ivory bangles (chudas and chudis) not ornamented in any manner sandalwood or black wood or inlaid therewith and ornamental metalware (not being articles specified in entry 2 in this Schedule).	E-13	10	3	$\frac{1}{4}$	10	3
12	All goods other than those specified from time to time in section 14 B and in Schedules I and II and in the preceding entries.	E-22	3	3	$\frac{1}{4}$	4	3



## CHAPTER EIGHT

## SIMPLIFICATION OF THE PROCEDURE

8.01 *Simplification of the procedure.*—A system inherently simple, is often rendered irksome and intricate, by superfluity or complexity of procedures. Procedures on the other hand, tend to be sophisticated and cumbersome, in anxiety to operate the system meticulously. As we cannot think of procedures in isolation of the system, we deal in this chapter system of registration, simplification of the forms and conditions of documents, filing of returns, methods of assessment and other incidental procedural matters, with a view to achieve simplification of the procedure as far as possible without losing the effectiveness of the system.

8.02 *Registration.*—Registration of dealers is a well recognised feature of any system of sales tax. Registration is usually intended to bring a dealer within the compliance and discipline of the Sales Tax Law. If a dealer exceeds the minimum limit of sales or purchases, he becomes liable to pay the tax on his sales or purchases as the case may be. In some States, a distinction is kept between the turnover limits for registration and limits of turnover for purposes of liability. The object of keeping a lower turnover limit for registration is to bring dealers under surveillance as distinct from compliance so that marginal dealers verging on the turnover limit for liability can be closely watched. There is also a system of voluntary registration in some States enabling a dealer at his option to get registered, although his turnover may not to make him compulsorily liable to be taxed.

Under the present dispensation, there is no distinction between a turnover limit for liability and a limit for purposes of registration. There is no system of voluntary registration also. Every dealer liable to pay tax is required to possess a valid certificate of registration and liability to pay arises on reaching minimum turnover limit of sales or purchases accordingly as the dealer is an importer, manufacturer or any other dealer.

8.03 *Voluntary Registration.*—We have not received any suggestions for keeping a turnover limit for compulsory registration lower than for liability for payment of tax. We do not also see any special advantage in keeping two distinct limits. However we have received suggestions from a large number of associations that voluntary registration should be permitted to dealers who seek registration at their option. A system of voluntary registration existed in the Bombay Sales Tax Act, 1946. However, the Sales Tax Enquiry Committee (1957-58) did not consider it advisable to permit voluntary registration. It observed, “we do not see any reason for giving the dealers the option to get registered and to pay tax even though their turnover is below the limit of liability to pay tax. In a pure single point system, in which the levy is at the last stage of sale, registration enables a dealer to make purchases free of tax. Unlike, this in a composite system of tax that we are recommending, mere registration will confer no such special benefit on a dealer”.

In a system which we have advocated now, mere registration would confer no special benefit but we think that there should be no objection either to permit voluntary registration which would confer no special benefit on dealers, but will certainly mean some convenience to them. Voluntary registration was not favoured on account of fear of bogus registration and extra administrative burden. In the context of conditions existing in Gujarat, we do not see any risk in permitting voluntary registration.

We do not also anticipate a very large number of dealers coming in for voluntary registration. The number of dealers opting for voluntary registration will be mostly small dealers and as we are recommending system of annual return and simple manner of assessing small dealers, it should be possible for the department to manage a few extra dealers without any administrative difficulties. We, therefore, recommend that voluntary registration should be permitted under the Act.

8.04 *Delay in cancellation.*—No difficulties have been pointed out to us in the procedure of obtaining registration certificate. No suggestions have also been made

for improvement in the provisions regarding application and issue of certificate. However, instances have been pointed out to us that there are delays in the cancellation of the registration certificates. We have examined the delays in cancellation and have found the position as under :—

Pending as on 1-7-67		Receipt during 1-7-67 to 30-9-67	Total	Disposed during 1-7-67 to 30-9-67	Pending as on 30-9-67	Pending	
Up to one month	More than one month					Up to one month	More than one month
1	2	3	4	5	6	7	8
118	69	154	341	152	189	94	95

We find that there are delays in cancellation but the reasons for delay, we are told, are mainly on account of lack of co-operation from the dealers. We do not see any justification for delays in the cancellation beyond one month even in such cases and we recommend that department should take steps to see that cancellations of registration are effected within a period of one month. If, for any reasons, cancellations are delayed beyond one month, reasons for such delays should be examined by higher officers and steps should be devised so as to ensure disposal of cancellation applications within one month, as far as possible.

8.05 *Documents.*—In the system which we have recommended, we have already referred to the need for continuance of Licence, Authorization, Recognition and Permit. Each document is intended to serve a definite purpose and affects only such dealers who are required to obtain a particular document and to make use of it. We have received representations generally that the system of documents is complicated, that the forms of documents require to be simplified, that the number of documents require to be reduced by combining one or more documents and that the conditions in the documents are harsh and penalties for unintentional breach cause hardship.

We have given very careful thought to all the suggestions received and we have considered various suggestions in the following paragraphs:—

8.06 *Forms of documents.*—We have considered the suggestions regarding combination of one or more documents. A single form combining all the forms of documents will by no means bring about any simplification. As each document is intended to be used by a particular class of dealers, a single form in which details of all the forms are incorporated will unnecessarily bring more complications for dealers who are not concerned with other details.

However, it was represented before us that a reseller purchasing goods for resale cannot decide at the time of purchase as to whether the goods will be resold locally or that they will be sold in the course of inter-state trade. Under the existing provisions, a dealer would be required to use his Licence if he intended to resell the goods locally and his Authorisation, if he intended to resell the goods in the course of inter-state-trade. Depending on circumstances, goods intended for sale in the course of inter-state-trade may have to be resold locally or the goods intended for local sales may have to be diverted for sale in the course of inter-state-trade. These variations are normal features in the trade but under the existing provisions, such variations would amount to a breach of recitals which invites penalty. We think that this is sometimes a genuine hardship and though by amendment in the licence, some of the hardship in respect of goods purchased on Licence but sold in the course of inter-state-trades are mitigated, yet this does not fully accord with the normal trade practice.

We think that the form of licence and the form of authorisation can be combined with advantage as dealers who make use of them normally belong to a common class. We, therefore, recommend that the form of Licence and the form of Authorisation may be combined into a single document. A form of combined document is recommended as per Appendix G.

As for recognition, one of the conditions in the document is that the dealer holding recognition can purchase such goods, other than prohibited goods, specified in the list appended to the recognition. As such, while applying for document of recognition dealer has to specify in details the goods which he intends to use in manufacture of taxable goods and the Sales Tax Officer has to incorporate such list in the recognition certificate issued to the dealer. In a manufacturing process, due to change in process or technique or availability or non-availability of certain rawmaterials, a dealer has to use goods or materials other than those shown in the recognition certificate for use in the manufacture. Every time he effects such a change in purchase of goods, he has to apply for amendment of the recognition. If the dealer purchases such goods without seeking amendment, he would be contravening the conditions and would be liable for an offence and the vendor's claim of deduction would be liable to be disallowed. This causes avoidable hardship. The list does not serve any practical purpose. So long as a manufacture uses any goods, other than prohibited goods for use in manufacture of taxable goods, there should be no objection in permitting him to make purchases of such goods free of tax on recognition. If it is found later at the time of assessment or otherwise that the dealer has not used the goods so purchased in manufacture of taxable goods, necessary action for breach of recognition can be taken under the normal provisions. In view of this, we recommend that the condition requiring list of goods to be specified in the recognition should be deleted. We recommend the form of recognition as per Appendix H.

Suggestions have been made to us that the document of permit should be continued as it affords facilities to the commission Agents who purchase goods on behalf of their principal. Looking to the existing practice of trade through commission agents, we recommend that the form of permit should be continued as a separate form of document in its present form.

**8.07 Conditions for grant of documents.**—A registered dealer applying for a Licence, Authorisation, Recognition or Permit has to satisfy that he has been a registered dealer for a continuous period of not less than twelve months immediately preceding the date of the application. If he is not so registered, he is required to deposit a sum of Rs. 10,000 in cash or by security or to furnish the guarantee of a bank approved by the Government for a sum not exceeding Rs. 10,000 or to furnish two sureties acceptable to the commissioner for a sum of Rs. 10,000 each.

It was represented to us that even for a registered dealer who has not been registered for a continuous period of 12 months, no such conditions should be prescribed. If at all any surety is necessary, dealer's own assets sufficient to meet with the liability should be accepted as adequate security or a surety of any other registered dealer who has got assets to satisfy the liability should be accepted. It was further represented that in furnishing a surety acceptable to the commissioner, a certificate of the Revenue Department about the solvency of the surety has to be obtained which involves lot of hardship. It was further represented that the deposit or security are not returned or bank guarantee or sureties are not released in time even when the document holder has been assessed and has no dues outstanding.

We have considered the suggestions received in the matter. We have also carefully considered the requirements to be satisfied before granting the documents. We have found that the occasions for default and for enforcing security are rare. While we think that the position of a licence holder is crucial in the whole system and that there should not be any misuse of any facilities provided for the licence holders, we do not see any valid reason for imposing any conditions for the grant of documents like recognition and permit. We, therefore, recommend that there should be no conditions imposed and no further requirements to be insisted before granting documents like recognition and permit. We recommend that for a dealer applying for licence, the condition should be that he has been a registered dealer for continuous period of not less than twelve months immediately preceding the date of the application and if he is not so registered, he should be required to deposit a sum of Rs. 5,000 in cash or by way of security or to furnish to the commissioner the guarantee of a bank approved by the Government in this behalf agreeing to pay to the commissioner on demand such sum not exceeding Rs. 5,000 or to furnish one surety acceptable to the commissioner for a

sum of Rs. 5,000. We further recommend that the guarantee of the State Co-operative Bank or District Co-operative Bank should be considered on par with the guarantee of the bank approved by the Government for the purpose.

As for return of deposit or security or release of bank guarantee or sureties, the rules as at present do provide that the sum deposited or the security is transferred or a surety bond shall be returned to the dealer after the amount of tax, including penalty, if any, payable by him in respect of period ending on the last day of the year following the year in which the document was issued to him has been assessed and the dealer has paid the dues or on expiry of 36 months following the date on which the document is granted whichever is earlier. It appears that the deposits or the securities or the bank guarantee or the surety bond are retained in disregard to this provision. We recommend that in case of licence, if a dealer has not been a registered for a continuous period of 12 months preceding the date of licence, he should furnish deposit or securities or surety for the sum of Rs. 5,000. This deposit, security or surety should invariably be returned or released after the amount of tax including penalty payable by him in respect of the period ending on the last date of the year following the year in which the licence was issued to him has been assessed and dues have been paid by him or on the expiry of a period of 36 months next following the date on which the licence is granted whichever is earlier whether the dealer applies or not. In order that the deposit etc. can be returned before the above time limit, we recommend that assessments of such cases should be taken up on priority.

8.08 *Effective date of documents.*—A further point was raised before us that delay in granting of document sometimes places a dealer into undue hardship. Suggestions were made that documents should be granted from the date of application and not from the date of the orders passed by the granting authorities. There seems to be no objection in giving effect to the document from the date of application, where documents are granted. In the event of document not being granted, the question of date would not arise but we suggest that the refusal of granting documents should be decided within a reasonable time and should be communicated to the parties to avoid hardship.

8.09 *Simplification of Forms.*—There are a number of forms prescribed under the Rules as well as prescribed in the notifications issued under section 41 of the Act. Suggestions have been made from time to time to reduce the number of forms or to simplify them. The previous committee (1957-58) had examined the various forms existing under the Bombay Sales Tax Act, 1953 and Rules made thereunder and recommended deletion of or modification in the existing forms or addition of certain new forms.

We have examined in details the existing forms. There are 52 forms prescribed under the Bombay Sales Tax Rules, 1959 serially numbered 1 to 44 with certain sub-numbers. Number of forms prescribed under the notifications under section 41 of the Act is 27, serially denoted as Forms A to Z, AA and BB. There are also certain forms which are not prescribed under the rules but are prescribed for use by the dealers under administrative instructions.

We were told that a sub-committee consisting of the officers of the Sales Tax Department was formed by the commissioner of Sales Tax to go into the details of various forms and to recommend deletion, modification or addition in the existing forms. On the basis of the recommendations of the sub-committee, proposals were made to the Government to take further action. Government has not finalised the proposals in view of the appointment of this committee.

We have gone through the recommendation of the sub-committee and the proposals made by the Commissioner of Sales Tax as referred to us. We know that these forms have been devised with a view to serve certain purpose. They are either devised to give effect to the concession provided by law or to support the claims of exemptions or concessions. Some forms are for administrative use only. However, the need for simplification of forms has been pressed both by the dealers and by the Officers of the department. We think that the multiplicity and the complexity of the forms should be removed as far as possible. We have, therefore, reviewed the forms in the light

of the need for simplicity and also in the light of the need for continuance or modification of such forms in view of various recommendations which we have made in the system and structure of Sales Tax.

We make the following recommendations :—

(1) Forms No. 4a, 6, 19, 20, 32, 32A may be deleted, as they are either redundant or have become unnecessary in view of our recommendations of the system and structure of Sales Tax. As for form 6, we propose its deletion as it will now be incorporated into the form of license which we have proposed as Appendix 'G'.

(2) Forms No. 1, 2, 3, 4, 4A, 5, 7, 8, 8A, 9, 10, 11,, 13, 14, 15, 17, 17A, 18, 25, 29, 30, 31, 31A, 37, 38, 43A, may be amended in light of the experience, gained by the department in the working and also in light of the recommendations made by us on the system and structure of Sales Tax. There will be material changes in forms No. 4 ( application for Document ), 5 ( form of licence as proposed as Appendix G ), 7 ( form of recognition as proposed as Appendix H ), 15 ( certificate by recognition holder ), 18 ( form of return as proposed as Appendix N ) and 30 ( form of assessment order ), for which reasons have already been given by us alongwith recommendations made on the change in the system of documents, and filing of returns. There will be consequential changes which will be of minor or verbal character in forms Nos. 4A, 8A, 9, 10, 11, 14, 17A.

(3) The sub-committee has recommended two additional forms *viz.* 14A and 17B. The previous committee ( 1957-58 ) had recommended composite forms of declarations. We think that the composite forms cause complications, as the dealers invariably do not strike out the alternate recital applicable in different sets of circumstances and thus the practical utility of prescribing a composite form is lost. We, therefore, recommend that forms proposed as forms No. 14A and 17B should be added as fresh forms.

(4) We further recommend deletion of forms denoted as A, B, C, D, E, F, I, J, K, L and U and prescribed under notification under section 41 of the Act. We have recommended deletion of Form A and B as we have recommended inclusion of these exemptions in the body of the Act. We have recommended deletion of forms C and E as they are recommended to be included in the Schedules of tax-free goods. Deletion of forms No. F, I, J, K, L and U is recommended on the ground of removal of corresponding exemptions.

(5) We recommend that forms No. N, O and P may be suitably amended or new forms for Art Silk Industry may be prescribed in light of our recommendations for concession to Art Silk Industry.

(6) We recommend continuance without modification forms No. D, G, H, M, Q, R, S, T, W, X, Y, Z, AA and BB subject to minor changes for which proposals are pending with the Government.

(7) Amongst the forms prescribed by the department under executive orders, we have received suggestions for simplification of four forms prescribed under the circular letter No. L-186-64-1-F dated 5th March 1964 of the Commissioner of Sales Tax. We find that these forms are not statutorily necessary nor are they required to be furnished by the dealers compulsorily but are prescribed for the sake of facility of the Commission Agents and the Principals who may have to adduce detailed evidence at the time of assessment, if the details in the prescribed forms are furnished. We think, forms which are devised for compliance of requirements under the Law should be prescribed under the Act or the Rules and no forms which are not required under a statute should normally be prescribed by executive orders. We, therefore, recommend that either the forms prescribed under the executive order should be withdrawn or if they are allowed to stand, they should be simplified considerably. We suggest the forms as in Appendices I, J, K, L.



8.10 *Change in Constitution of firms.*—At present certificates of registration, documents etc. continue in certain circumstances where there is a change in the name of business or there is a change in the constitution of firm without dissolution thereof. It has been represented to us that there are cases in which on account of death of a partner, dissolution of partnership takes place but other partners continue and there is no change in the nature of the business and in such cases new applications for registration or grant of documents should not become necessary.

We have been appraised of the legal position that a dissolution of a firm is as good as the death of the firm and the certificate of registration or document which is personal cannot be continued thereafter, unless there is an agreement to continue the partnership. Our attention was also drawn to the Supreme Court case in the State of Punjab *V/s. Jalandar Vegetable Syndicate* (17 S. T. C. page 326) and also provision contained in section 42 of the Indian Partnership Act, 1943. According to the provision of the Partnership Act, subject to the contract to the contrary, the death of one of the partners *ipso facto* causes dissolution of the partnership. It is competent to the partners to agree, however, that on the death of any one of them, the firm shall not be dissolved and his nominee or legal representative shall be entitled to step into his shoes. In spite of this position in some cases pointed out to us the Sales Tax Officers treated firms as dissolved without inquiring whether there was an agreement to continue the partnership. We suggest that the correct legal position should be brought to the notice of the Sales Tax Officers.

8.11 *Solvency Certificate.*—We have considered the hardship pointed out in connection with obtaining a solvency certificate from the Revenue Department. As the revenue department is the only department which has at its disposal, adequate machinery to make necessary inquiries about properties and other factors affecting the solvency, we do not see the need of any other alternative agency for inquiry. We may only observe that the delays and inconvenience in obtaining solvency certificates from the Revenue Department may be eliminated by issue of suitable instructions by the Government.

8.12 *Returns.*—According to the present provisions of the Act, every registered dealer has to furnish a return. There is a provision of annual submission of returns for certain class of dealers but practically very few dealers have taken advantage of the facilities of filing annual returns. Almost all the dealers are filing quarterly returns. There is also a provision for furnishing monthly return in the first year in the case of dealers who are applying for any document for the first time. Every dealer required to furnish a monthly, quarterly or annual return has to pay into Government Treasury the tax due and payable according to such return on or before the date prescribed for the submission of such returns. Every payment of tax (including penalty) has to be accompanied by Treasury chalan in the prescribed form. Under the scheme of the Act, a dealer is required to make periodical payment of tax due and payable and is required to show in the form of return to be filed by him. Return is thus a document showing not only the evidence of the payment of tax but also the evidence that the dealer at the time of making payment has determined the tax due and payable by him.

8.13 *Scheme of Annual Returns.*—Suggestions have been made to us that returns should be made annual, although the payment of tax would be kept quarterly. The arguments advanced in support of the suggestions were that the form of return was complicated, that large number of dealers who were not concerned with many of details in the forms of returns has to file lengthy returns every quarter and that for small dealers it was inconvenient to file a lengthy return at the end of each quarter.

We have carefully examined the suggestions. As observed, monthly returns have been prescribed for a special contingency. As we have recommended earlier that no further conditions are necessary for dealers applying for documents other than the Licence, we recommend that the monthly returns, for a dealer who applies for a document of recognition or permit for the first twelve months, should be discontinued. A monthly return will, however, be continued for a period of first twelve months only in the case of a dealer who applies for a Licence for the first time.

We recommend that the dealers whose annual turnover does not exceed Rs. 1 lakh and who is not a Licensed dealer should be afforded the facilities of filing annual return. We also recommend that annual return should be permitted for (i) all Government departments which are liable to pay tax, (2) for contractors who are entering into works contract only, (3) dealers dealing in tax free goods only but have incidental taxable purchases and (4) such other class of dealers as may be notified for the purpose by the Government.

Dealers whose annual turnover exceed Rs. 1 lakh will be required to file quarterly returns as at present. For all categories of dealers, other than dealers filing monthly returns, the payment shall be quarterly. In the case of dealers filing monthly returns, the payment will be monthly. We further recommend that the dealers who are afforded the facilities of filing annual returns will nonetheless file simple declaration in a prescribed form showing the tax due and payable by him. We recommend the form of declaration as in Appendix M.

We have recommended facilities of annual return for dealers other than licensed dealers whose annual turnover does not exceed Rs. 1 Lakh for sound and valid reasons. The existing provisions for annual returns were not availed of except by few dealers. The filing of quarterly returns for dealers other than Licensed dealers and whose turnover does not exceed Rs. 1 lakh will not involve risk, as in any case, quarterly payment has to be made and the tax to be paid or payable is to be supported by a declaration. On the other hand, it will mean considerable relief to small dealers who have no means at their disposal to prepare and file elaborate returns every quarter. We have observed that about 90 percent of the tax is paid by the dealers alongwith the returns. The tax payable by dealers having turnover upto Rs. 1 lakh comes to about Rs. 2 crores. This will include dealers who are licence holders also. The number of dealers would be about 35,000 i. e. about 53 percent of the total dealers as revealed in Table 22. If annual return for such dealers can be considered with proper safeguards, alongwith quarterly payment of tax, annual return, in our opinion, will mean substantial relief to a large number of dealers without involving risk to Government revenues. We also believe that besides convenience to such dealers it will also relieve administration of the considerable burden.

8.14 *Form of return.*—We have examined the form of return and have considered the way in which it could be simplified. We recommend the form of return as in Appendix N. At present the dealers have to show various deductions in the return and the return form unnecessarily becomes long because all types of deductions, irrespective of fact whether the deduction has to be claimed by a dealer or not, are incorporated in the form. Instead of this we have proposed that only blank space should be provided in the return so that the dealer concerned may be required to fill in such blank space only. At the same time we propose that detailed instructions about various types of deductions allowable under the provisions of the Act or Rules for different types of dealers should be furnished alongwith the return for the guidance of the dealers. In the present form of return, some of the details are required to be filled in only for the first time and have not to be repeated in every return. In the revised form of return, we have suggested that the repetitions should be dispensed with. We think that the form which we recommend will bring the desired simplification without sacrificing the details which are indispensable. As we have recommended declaration to be filed by dealers who are afforded the facilities of annual returns, we recommend that the provisions regarding the period within which the return should be filed. Penalty and prosecution for late filing of return should apply *mutatis mutandis* to declarations also.

8.15 *Mode of payment.*—We have noticed that the mode of payment permitted at present is by way of Treasury Chals only except in the case of non-resident dealers who are permitted to remit dues by cheques. We have come across a number of cases of difficulties experienced by dealers in making payment in the Treasury and obtaining receipted chals. At many places, the branches of the State Bank of India or its subsidiaries function as treasuries and some dealers have complained that the Banks are slow to afford facilities for quickly receiving remittances at the counter especially on peak days when there is rush of a large number of dealers who have to make remittance at the close of the quarter. The difficulties

of dealers in the rural areas which are remote or ill-served by communications are genuine. They are required to go to the sub-treasuries which are located in Taluka head quarters, for small payments and have to wait considerably long. The difficulty is further enhanced, if the treasuries are not issuing chalans on the day when the payment is tendered and the giving of receipted chalans is delayed with the result that dealers have some times to incur penalty for late submission of return with chalan.

We do not see any reason why all the modern facilities of payment by cheques through Bank should not be availed of in city and urban areas and why alternative modes of payment should not be offered to dealers in the remote areas who may find it difficult to go to the sub-treasury only for making payment of sales tax dues..

We recommend that where there is a branch of the State Bank of India or its subsidiary, payment by cheques drawn on the Bank by dealers should be permitted and possibilities of payment by cheque into other Scheduled Banks should be explored. We further, recommend that mode of payment by money order or crossed postal orders should be permitted to dealers of such areas where banking facilities do not exist and which are away from the head-quarters of the sub-treasuries.

8.16 *Assessment.*—Assessment represents the most crucial stage in the dealer's contact with the department. The approach of the officers, their attitude, facilities accorded to the dealers and the speed and fair mindedness during assessment proceeding go a great way towards satisfaction of the dealers. All criticism aimed against the administration was mostly on the lack of proper approach and attitude, the treatment received by dealers from officers and Inspectors, long waitings and disproportionately more time devoted to minor and unimportant points at the time of verification and hearing. The criticism was also against double verification one by the Inspectors and the other by the Sales Tax Officer. While the Inspector carried out detailed verification of accounts in all cases, the Sales Tax Officers, it was stated almost went over the same details which involved good deal of time. It was also stated that no distinction was made between cases of big and small dealers and between cases involving substantial revenue and cases yielding small revenue and that there was no sense of proportion in the time and effort devoted to all cases.

We have reviewed the progress of assessment earlier. We have also noted that the pendency of old cases is still there and the number of registered dealers are growing every year and with growing complexity of the trade, the number of big and complicated cases will also increase.

We have also observed that there has been comparatively greater rise in the number of dealers registered under the Central Sales Tax Act as compared to dealers under the local Act. Nevertheless there are small dealers paying tax as small as Rs. 25 a year and there are big dealers paying tax over Rs. 10 lakhs annually. Time has now come when distinction has to be drawn between cases with such very wide margin of tax paid by dealers and importance to be attached to their cases both from the point of revenue and point of view of convenience to dealers. We, therefore, recommend a substantial departure from the present approach and method of assessment.

8.17 *Present method of assessment.*—We have carefully considered the present method of carrying out assessment of various dealers. We find that hardly any distinction is made between the type of dealers, nature of their business, nature of accounts maintained by them and their capacity to comply with the requirements under the law. There is no doubt that the dealers should know how to keep minimum accounts and comply with the requirements of law but many of the difficulties would be solved if the department takes into consideration various factors about the different categories of dealers, determines minimum standards of compliance and informs the dealers about the minimum requirements and the manner in which their assessments will be carried out.

In this context, we have examined various schemes designed for small dealers who are unable to maintain regular account *viz.*, the composition scheme and lump sum assessment scheme ( Section 40 ), the scheme of simplified assessment ( Annexure VI of the Questionnaire ).

We have considered the scheme of composition under the 1953 Act and also the lump sum assessment scheme existing in legislations of several States. We have found that composition scheme has not been attractive to small dealers for various reasons. We have already referred to the provisions of lump sum assessment in section 40 of the Act and observed that the lump sum payment is not in actual operation as no rules have been framed under the Act. We are, therefore, of the opinion that section 40 of the Act may be repealed.

The scheme of simplified assessment was brought into force by the department in the year 1966. We have examined the progress of the scheme and found that out of 6000 dealers eligible to be assessed under the scheme, only 331 dealers have taken benefit under the scheme upto Samvat Year 2021. This speaks for the inadequacy and failure of the scheme.

The reasons for the failure appear to us to be as under :—

- (1) The scheme was limited in scope.
- (2) The scheme was operated in half-hearted manner.
- (3) The scheme suffered from inherent defects *viz.*, that the base adopted the quantum of payment of tax instead of turnover or the category of dealers.
- (4) No publicity was given to the scheme and the dealers were mostly not aware of the existence much less the benefits under the scheme.

Since the simplified scheme of assessment has not yielded satisfactory results, the desired object will not be achieved by the continuance of the scheme in its present form.

8.18 *Simple manner of assessment.*— We accept inevitability of adopting simple manner of carrying out assessments of certain categories of dealers. We, therefore, recommend that the assessments of different kinds of dealers shall be carried out on the following lines :—

- (1) We have recommended earlier a scheme of annual return. Assessment of all such dealers who are required to file annual returns may be carried out in a simple manner.
- (2) For a dealer filing annual return and who is not an importer or a manufacturer, return may be accepted as filed by him. If the amount of tax paid during the year along with the declarations and the return is less than the amount of tax assessed in the previous year or in the year in which last assessment was carried out and reasons for less payment are not forthcoming in the return filed by him, such reasons may be called for by the assessing officer from the dealer without requiring his personal attendance in the first instance and if the assessing officer is satisfied with the reasons, he may assess the dealer on the basis of the returns filed.
- (3) For a dealer filing annual return and who is an importer, the dealer may be required to furnish the details of purchases made on 'c' forms or details of imports made by him alongwith the annual return for all such transactions made during the year. The Assessing Officer may cross verify the details furnished by the dealer and if he is satisfied from the details furnished and the cross verification made, that returns furnished are correct and complete, he may proceed to assess on the basis of the returns filed. If on cross verification of the details of purchases on 'c' forms and imports, any further information is necessary, the assessing officer may require the presence of the dealer or production of further evidence and complete the hearing and proceed to assess the amount of tax due from the dealer on the same day as far as possible.
- (4) For dealers filing annual returns and who are manufacturers but not importers, there will be two categories. Small manufacturers, village artisans'

and craftsmen and dealers having small establishments who are included in the special category for the purposes of higher turnover limit will fall into the first category. Manufacturers who are engaged in the organised sector of industry, will fall into second category. The manner of carrying out their assessments will be as under :—

(a) Manufacturers falling in the first category are generally not in a position to maintain details of sales accounts and their assessments even to day are made on the basis of their purchases and the turnover of sales estimated on the purchases made to which margin of gross profit is added. Dealers who are very small and are illiterate or have no means, do not possess even rudimentary accounts of purchases and some times assessment is made in such cases on estimates on the basis of stock found at the time of spot visit. In the case of small hotels or eating places, the expenditure is estimated which is assumed to bear a well defined proportion to the turnover and assessment is made on the basis of the estimated turnover. We have found that the assessments made on estimates in most of the cases of such dealers appear arbitrary and have been a source of acute discontent for small dealers. We have also found that such dealers are not in a position to file appeals or their appeals are not entertained as they are not in a position to make pre-payment or to offer security for the amount of tax which is arbitrarily assessed or is disproportionately high. Lump sum assessment or composition in such cases also become arbitrary or inequitable.

We recommend that in the case of this category of dealers, the assessing officer may accept the returns and proceed to assess on the returns filed if the tax paid by the dealer during the year alongwith declarations and return is not less than tax assessed in the previous year or in the year in which the last assessment was carried out. If the tax paid is less, the details of purchases may be checked with the vouchers and purchases may be cross verified if necessary and the turnover may be worked out on the basis of the purchases furnished by the dealer and the average gross profit which may be worked out by the department on the basis of profits of such dealers in the local areas. If the tax calculated on the details furnished by the dealer and the computed turnover does not vary from the tax paid by him within a margin of 10 percent, the assessing officer may assess the dealer on the basis of the return filed. If however, the assessing officer is not satisfied about the genuineness of the purchase, details supplied by the dealer or that the difference in the tax paid exceeds the margin of 10 percent, he may proceed to assess on the basis of material available before him or according to the best judgment. The hearing in such cases should also be finalised on the day on which the dealer appears as far as possible.

(b) As for the second category of manufacturers, the assessing officer may ascertain the turnover, the purchases made on recognition certificate and the tax collected on taxable goods from the returns filed and verification of the details should be completed before regular hearing is given by the assessing officer. The dealer may be required to produce such books of accounts as are necessary for verification and the hearing should be completed on the day on which the dealer appears as far as possible.

(5) Dealers who enter into works-contract but have incidental purchases made from unregistered dealers may be required to furnish the details of purchases made from unregistered dealers alongwith the annual return. The assessing officer may accept the returns and proceed to assess on the basis of returns filed.

(6) Dealers exclusively dealing in tax free goods but are liable to pay tax on account of small purchases of packing materials or the like should be required to furnish details of purchases of packing materials or the like alongwith the return. The assessing officer may after cross verification of the details of purchases on packing materials, if necessary, may accept the returns and proceed to assess on the basis of returns filed.

(7) The Commissioner of Sales Tax may select 25 per cent of cases assessed as above for detailed scrutiny every fourth year. In cases where they are wide

variations between the returns filed for the year in which the detailed scrutiny is made and the tax assessed after detailed scrutiny, the Commissioner may decide according to the merits of the case whether the case of such a dealer will be taken for regular assessment for such number of years as he may decide.

(8) In all the cases mentioned above, if the variation in the tax assessed in the previous year or in the year in which last assessment was carried out and the tax paid alongwith the return exceeds 10 per cent. or where suppression is suspected or on the basis of other credible information received by the department detailed verification is found necessary, such detailed verification may be directed by an officer of the rank not lower than Assistant Commissioner of Sales Tax who may satisfy before directing detailed verification, that there are *prima facie* grounds established before him that detailed verification is necessary.

The simple manner of assessment will have distinct advantages for a large number of dealers. In the first place, the need for requiring the personal attendance of the dealer as a matter of course will be dispensed with. Secondly, if at all, dealer's presence is necessary, which should be in minimum few cases only, and in such cases also hearing will be completed on the same day as far as possible. Thirdly, it will be possible for the department to entrust the cases falling under simple manner of assessment to comparatively junior officers so that Senior and experienced officers can devote their attention on high revenue yielding cases.

8.19 *Reorientation in method of assessment for other dealers.*—We find that the method of assessment in case of all dealers is dilatory and unnecessary details are called for at the time of verification or at the time of hearing. While we recommend no material change in the method of assessment in the case of dealers other than the categories of dealers in whose case simple manner of assessment is suggested above, we think that in carrying assessment of such dealers also, instructions may be laid down by the department for limiting verification on necessary selected lines. The returns filed by such dealers should be scrutinised on broad lines to ensure that they are complete or are correctly filed. The registration record of such dealers and assessments record of previous year should be examined prior to detailed verification. The assessing officer should study the previous record and details filed alongwith the return in advance and should indicate the lines on which further detailed verification is necessary with reference to the books of accounts of the dealer. The assessing officer may take the help of an inspector for verification who should complete verification on the guide lines given to him and within the time allotted. Instructions should be prescribed for keeping record of verification made by Sales Tax Inspectors in some suitable form. Such verification report should form part of the assessment case and should be a part of the record for the use of the assessing officers as well as appellate authorities. The dealers should also have access to the verification report. The assessing officers while passing assessment orders should refer to relevant points in the verification reports and to the points recorded by him at the time of hearing and his findings should be based on material available in the record. The assessment order should clearly indicate the tax assessed, supported by reasons on findings about deductions, set off, refund etc. It should be ensured that assessment orders are passed by the assessing officers as early as possible after the final hearing and not later than 30 days. A certified copy of the assessment order should be invariably given to the dealer concerned alongwith the copy of the notice of demand. Copies of orders supplied to the dealers should be legible and type written as far as possible.

We find that the dealers have grievances, because of application of certain set formula in estimating turnover on the basis of the purchases made. One of the instances cited before us was of the Oil Millers who represented that the department was applying proportion theory rigidly regardless of the accounts maintained by dealers or evidence tendered by them in support of the variations due to several factors. We emphasise that wherever regular books of accounts are maintained and the books are closed regularly, books of accounts of dealers should be accepted. Where such books of accounts are not accepted, reasons should be given for not accepting the books of accounts and such reasons should be based not on presumption alone but on some tangible evidence. Wherever it is found necessary to lay down a formula, the department, in consultation with the responsible Associations of dealers in the area should

work out reasonable formula in respect of different types of manufacturers and such formula should be given to assessing officers for guidance only. We think that the assessing officers will imbibe the right spirit in which instructions are given and will exhibit initiative and discretion wherever necessary.

We think that honesty in filing returns should be encouraged. As a concrete measure to encourage honesty amongst dealers, we suggest that the department may keep a record of dealers in whose cases there are no variations between the amount of tax paid alongwith the return or the variation is so small that the dealer in the eye of the department is an honest dealer. Cases of such dealers may be decided on the basis of the returns filed in the same manner as recommended for the dealers filing annual returns subject to detailed scrutiny only once in four years.

We have received complaints about double verification by inspectors as well as Sales Tax Officers. We think that as a result of recommendations made by us regarding simple manner of assessment there will be no occasion for double verification in the case of dealers dealt with under the simple manner of assessment. In the case of other dealers also, there will be verification by the Inspector and the Sales Tax Officer will not go over the same details again. We also received complaints about delays and long adjournments. We suggest that assessing officers should fix up the cases in a planned manner with due regard to priorities assigned. The number of dealers to be called on one day should be fixed keeping in view the number likely to be taken up on the day. There should be minimum of adjournments and reasons should be recorded for each adjournment granted. Adjournments to be granted should be decided early in the day so that the dealers need not wait and long waiting for dealers in all cases should be avoided.

We are told that there is a practice of sending Sales Tax Inspectors for verification of accounts to big industrial concerns or establishments whose turnover exceed Rs. 20 lakhs. We recommend that this practice should be continued and should be extended invariably to all such dealers.

8.20. *Time limit for completion of assessments.*—We have examined earlier that assessments are in arrears. The simple manner of carrying out assessments suggested by us will help in expeditious disposal of assessments and reducing the arrears. Even then, we do not think that the position of assessment cases lingering for years should be regarded as satisfactory. We think that time has come when a statutory time limit should be placed on the completion of assessment within a reasonable time. Suggestions have been made almost unanimously that assessments must be completed within 2 years. Lingered assessments cause hardship to dealers as they have to preserve account books and it also becomes difficult for them to produce evidence which may be required at a very late stage to support claims of set off, exemptions etc., or to produce various other proofs. Delay in assessments also jeopardises Government revenues as sometimes the dealers shift their place of business or disappear and recovery becomes difficult.

We have examined provision regarding time limit for completion of assessments under the Income-tax Act and have also discussed the pros and cons of the matter with the Income Tax Commissioner. We have no doubt that a statutory time limit will exert necessary pressure on the administration to carry out assessments expeditiously. We have considered the difficulties of the administration and the staff. With the reorientation in the manner of disposal and the efficient use of staff, it should be possible for the department to complete the assessments within the specified time limit and administrative difficulties, however unsurmountable, should not come in the way of placing a statutory time limit. We, therefore, recommend that a statutory time limit should be provided for completion of assessments and taking into account all the factors we recommend that a provision should be made in the Act that an order of assessment shall be made before the expiry of 3 years from the end of the year in which the last return due is filed.

8.21 *Best judgement.*—Assessment on best judgment in a taxing statute becomes inevitable under circumstances such as (1) when the dealers do not furnish sufficient information or (2) information furnished is found incorrect, or (3) when the books



of accounts are not produced or (4) when the books of accounts are produced but are found incorrect or incomplete, or (5) information furnished and the books of accounts are produced but no intelligible explanation of the entries therein is forthcoming or (6) the dealer has remained unregistered though liable.

Although assessment has to be made according to best of judgment in such circumstances, the officer should bear in mind certain well accepted principles. The assessing officer should not act dishonestly and vindictively or capriciously but he must take what he honestly believes to be a fair estimate of the proper figure of assessment and for this he must be able to take into consideration local knowledge and repute in regard to dealer's circumstances and his knowledge of previous records and all other matters which he thinks will assist him in arriving at a fair and proper assessment. The Assessing Officer should avoid guess work.

We find that difficulty arises when the Assessing Officer does not state the circumstances which led to passing the best judgment order. The Assessing Officer must disclose the material on which he is going to pass the order and in the case he relied on any private source of information, he must communicate to the assessee the substance of the information which he proposes to utilise against the dealer so as to give him an opportunity to meet it. Best judgment assessment should not result into excessive or over assessment.

8.22 *Books of accounts.*—Every dealer has freedom to maintain his account books according to year which he chooses and has to maintain the account books in the manner which are normally accepted by commercial standards. The Sales Tax law does not aim at interfering with the manner of keeping the accounts by the dealers. However the accounts should be kept in a sufficiently clear and intelligible way to enable the assessing officer to determine whether or not the dealer is liable to tax during any period or are to be so kept as enables a proper scrutiny of the returns or statements furnished. If a dealer does not keep true account of the value the goods purchased or sold by him or the accounts kept are not sufficiently clear or intelligible, the Commissioner has got powers under the Act to require the dealer to keep a true account of the value of the goods purchased or sold by him or to keep such accounts in such form or manner as he may consider it necessary for the purposes of assessment.

It was suggested by some Associations that powers are wide and are likely to be used against a dealer compelling him to maintain accounts in a different manner prescribed. We have not come across instances in which powers have been exercised in the manner resulting into hardship. On the contrary suggestions have also been made that the department should prescribe minimum accounts to be maintained by small dealers who cannot maintain complicated and detailed accounts in order that they may be made aware about minimum requirements for compliance under the law. For example, it will be for facility of small dealers and special establishments if they were asked to maintain a systematic purchase account with the supporting vouchers as they are not in a position to keep sales account and absence of purchase accounts may cause difficulty in the assessments.

On the whole we think that the powers under the Act are necessary and there are no genuine grounds for fear of misuse of powers. While we recommend that the present provisions should continue, we suggest that in order to allay any fears in the minds of the dealers, powers under this provision should be exercised by the Commissioner.

8.23 *Appeals.*—We have received complaints about delays in disposal of appeals at the level of Assistant Commissioners of Sales Tax and about their failure to inspire confidence of independence and fairmindedness in the minds of dealers. We have received various suggestions on speedier disposal, separation of appellate functions from the administrative functions, exercise of independent judgment by appellate officers, pre-payment before admission of appeals and other incidental matters. We have very carefully considered all these suggestions and we have made suitable recommendations on them in the paragraphs that follow.



8.24 *Delay in disposal of Appeals.*—We have already reviewed the progress of appeals earlier. We have observed that although good number of appeals were disposed every year the arrears at the end of each year had gone up and special efforts are necessary to cope with clearance of appeals in arrears. We have received several complaints about long delays in disposal of appeals. We believe that justice to be really effective should be dispensed speedily and all possible measures should be taken to ensure that appeals are disposed off within one year from the date of filing. While we do not consider that a statutory time limit should be fixed for hearing and disposal of appeals, we would emphasise that disposal of appeals should be ensured within one year from the date of filing. We recommend the hearing of appeals by independent Appellate Assistant Commissioners in the discussions that follow. This will ensure speedier disposal besides fair justice. But even then we find that a gap is created because of increase in the number of Sales Tax Officers at the original level and the expansion of the Tribunal at the higher level and unless more Assistant Commissioners are appointed for disposal of appeals, the gap will be widened.

We may observe here that the effective way of reducing appeals is to ensure better quality of assessment orders. With the number of recommendations that we have made for change in the method of assessment and simple manner of carrying out assessments, the quality of assessment should improve and this should also reduce in our opinion the filing of appeals.

We should also emphasise the need for planned disposal by Assistant Commissioners who should dispose of appeals according to priority. Normally, appeals should be taken up for hearing in order of date of filing but priorities should be assigned to appeals involving higher revenues, where tax has been held in abeyance and also appeals arising out of cases in enforcement where books are seized.

8.25 *Separation of appellate and administrative functions.*—It has been strongly represented before us that the Assistant Commissioners in charge of administration who are also hearing appeals are not exercising independent judgment and are influenced by consideration of revenue. It is suggested that the functions of the Appellate officers should be separated from administrative functions.

Similar suggestions were made before the previous committee. The Committee (1957-58), after statistical examination of the working of the appellate machinery came to conclusion that there was no material denial or miscarriage of justice under the existing system. We have also tried to analyse results of appeals disposed of during last 3 years. It reveals that in 62 per cent of cases decided, appeals are allowed in favour of parties in 1964-65. In the year 1965-66 and 1966-67, the percentage was 57 per cent and 66 per cent respectively. It may not be assumed that the decisions by Appellate Assistant Commissioners in favour of dealers, have in all cases been accepted by them as correct. However, we have noted that there is a strong feeling that no justice is done by the Appellate Assistant Commissioners in charge of administration. It is not enough that justice is done to dealers but it should appear that justice is done to them. Separation of Appellate Assistant Commissioners in our opinion, is a step in the right direction and should be implemented forthwith.

The previous Committee hesitated separation of Appellate Assistant Commissioners as it was found difficult at that time to obtain suitable persons for appointment as Appellate authorities. We find that at present there are 6 Assistant Commissioners in charge of administration, Assistant Commissioners, Ahmedabad Range, is not entrusted with functions of hearing appeals. The output of appeals by other Assistant Commissioners in charge of administration is low and as we shall observe later the need for reducing the burden of work of Assistant Commissioner in charge of ranges cannot be denied. Under the circumstance, with addition of one or two officers, it should be possible to provide separate appellate Assistant Commissioners for disposal of appeals in all the ranges satisfactorily.

We have therefore no hesitation to accept the suggestion and we recommend that the functions of Appellate Assistant Commissioners should be separated from administrative functions and that there should be separate Assistant Commissioners to hear appeals only.

**8.26 Independence of Judgement.**—We find that suggestion for separation of appellate and administrative functions have emanated from a feeling that so long as the Appellate Assistant Commissioners are receiving instructions and circulars from the Commissioner and so long as they are under the administrative control of the Commissioner to whom they look for their future career, there is not going to be any improvement in the situation.

Since we have recommended separation of appellate and administrative functions and since we have recommended appointment of Assistant Commissioners exclusively to hear appeals, in order to ensure independence of judgment on the part of the Appellate Assistant Commissioners, we further recommend that a provision should be made in the Act on the lines of the Income Tax Act that no orders, instructions or direction shall be given by the Commissioner so as to interfere with the discretion of the Appellate Assistant Commissioners in the exercise of their functions.

**8.27 Independent control.**—We have received suggestions that Appellate Assistant Commissioners should either be placed directly under the administrative control of the Legal Department or of the Tribunal. Suggestions have also been made to draw the Appellate Assistant Commissioners from Judicial Department and to keep them under the control of the District Judges.

We have considered various suggestions received regarding the independent control of Appellate Assistant Commissioners with a view to ensure their independence. We have examined the observations of various committee on this subject. A view has been advanced that as long as the promotion in service depends upon the good opinion of the Commissioner, the Assistant Commissioners would not be able to bring to bear on the appeals heard by them independent judgment and their decisions would tend to be influenced by predilections in favour of revenue. Similar arguments were made before the Direct Taxation Inquiry Committee and it was urged that the Appellate Assistant Commissioners of Income Tax should be removed from the control of the Central Board of Revenue and placed under the Ministry of law. Such a demand was also made previously before the Income tax Investigation Commission and the Taxation Inquiry Commission. The Law Commission also went into this question in details and concluded that there was no reason for effecting any change in the present set up.

As we have recommended separation of Appellate Assistant Commissioners, the control of Assistant Commissioners is to our mind, a matter largely of administrative propriety and convenience. We do not think that the suggestion for appointment of judicial officer as Appellate Assistant Commissioner or control of Appellate Assistant Commissioners by District judge is feasible. In Uttar Pradesh, Assistant Commissioners (Judicial) were under the superintendence of Judge (Revision) as per statutory provisions. The Judges (Revision) were usually of the grade of a senior District Judge. However, after experience, the administrative control over the Assistant Commissioners (Judicial) has now been transferred to the Commissioner of Sales Tax by an amendment in the Act. There are no other States where the Appellate Assistant Commissioners are under administrative control other than that of the Commissioner of Sales Tax or of the Board of Revenue.

We do not think that the Sales Tax Tribunal with the present limitations of its functions and set-up will be in a position to exercise administrative control over Appellate Assistant Commissioners.

The suggestion for administrative control to be exercised by the Legal Department would also not be feasible as a small cadre of few Appellate Assistant Commissioners cannot be placed under the administrative control of the Legal Department without administrative difficulties.

It is only if the Appellate Assistant Commissioners are retained under the administrative control of the Board of Revenue or of the Commissioner that it would be possible to make the necessary interchange between Assistant Commissioners in charge of administration and Appellate Assistant Commissioners smoothly and conveniently. Such interchange is necessary in the interest of the department

as well as of the dealers inasmuch as each of the two categories of officers benefit greatly by having practical experience, at frequent interval of the type of work done by others. We, therefore, recommend that administrative control over Appellate Assistant Commissioners should be kept under the Board of Revenue, which is recommended to be set up in our recommendation made in the chapter. So long as the Board of Revenue is not constituted, the administrative control should be kept with the Commissioner.

8.28 *Consequential recommendations.* — As we have recommended separate Appellate Assistant Commissioner and their independent exercise of judgment, we think that the view of the department should be represented before the Appellate Assistant Commissioner at the time of hearing of the appeal. We, therefore, recommended that a provisions should be made in the Act on the lines of section 250 of the Income Tax Act that the Sales Tax Officer either in person or by a representative shall have the right to be heard at the hearing of the appeal.

It also follows as a corollary that just as a dealer, aggrieved by the order of the Appellate Assistant Commissioner, has a right of appeal, the department should also have a right of appeal to the Sales Tax Tribunal. We, therefore, recommend that a provision should be made in the Act on the lines of section 253 of the Income Tax Act that the Commissioner may, if he objects to any order passed by an Appellate Assistant Commissioner, direct the Sales Tax Officer to appeal to the Sales Tax Tribunal against the order.

At present the Commissioner of Sales Tax has power of his own motion to call for and examine the record of any order passed by the subordinate authority and pass such orders thereon as he thinks just and proper. As a consequence of the recommendations made above, the powers of the Commissioner under *suomotu* revision require to be limited. We, therefore, recommend that a provision should be made in the Act on the lines of Clause (4) of section 264 of the Income Tax Act that the Commissioner of Sales Tax shall not revise any order under section 57 of the Bombay Sales Tax Act in the following cases :—

- (a) Where an appeal against the order lies to the Appellate Assistant Commissioner or to the Sales Tax Tribunal but has not been made and the time within which such appeal may be made has not expired or in the case of an appeal to the Sales Tax Tribunal, the dealer has not waived his right of appeal; or
- (b) Where the order is pending in an appeal before the Appellate Assistant Commissioner; or
- (c) Where the order has been made the subject of an appeal to the Sales Tax Tribunal.

It should also be added that for the purposes of this section, the Appellate Assistant Commissioner shall be deemed to be an authority subordinate to the Commissioner of Sales Tax.

We have considered the position about second appeal, which according to the present provisions of the Act, lies to the Deputy Commissioner or in Sales Tax Tribunal according to option of the dealer. As Deputy Commissioners of Sales Tax are fairly senior officers and as the law gives option to the dealer to file second appeal either before the Sales Tax Tribunal or before the Deputy Commissioner of Sales Tax, we do not think any change, in the present position regarding the stage of second appeal or regarding independence of the Deputy Commissioner, hearing second appeals, appears to be necessary.

8.29 *Pre-Payment in appeals.* — At present the Appellate Assistant Commissioners hearing appeals are not to entertain appeal ordinarily unless such appeal is accompanied by satisfactory proof of such payment in respect of which the appeal has been preferred. However, discretion has been vested in the appellate authorities to entertain appeal for reasons to be recorded in writing without payment of

tax on the appellant furnishing security or proof of payment, with or without security, of such smaller sum as may be directed by him. It is represented that although discretion has been vested in the appellate officers, they are not exercising discretion in favour of the dealers. Instances were cited before us of acute hardship where dealers were not in a position to offer security as the assessment was pitched high and refusal to hear appeal for failure to offer security amounted to denial of right of appeal. Suggestions were made that collection of tax should be stayed in all cases where assessments were disputed in appeals or atleast entertainment of appeals should not be barred for want of proof of payment and the recovery should be pursued according to normal provisions of law. In this connection, the position existing under the Income Tax Act was cited.

We have examined the position in all respect. We think that much of the feeling that the Appellate Assistant Commissioners did not exercise free judgment was due to insistence of payment or heavy amount of part payment prior to entertainment of appeals. Such feeling will be removed if the link between the payment of tax and the entertainment of appeals is severed and a dealer is permitted to file an appeal without having to pay the disputed tax.

If the dealer desires that recovery should not be proceeded against him by coercive measures during the pendency of appeals, he should approach the appellate authorities for grant of stay during the pendency of appeals. There is already a remedy existing under section 38 of the Act under which the Commissioner or appellate authority has power to extend the date of payment or to allow the dealer to pay the tax or penalty by instalment and the dealer can approach either the Commissioner or the appellate authority for stay. This provision is adequate and we do not agree that the power to extend the date of payment or to allow instalment should vest only in the executive authority.

We, however, emphatically recommend that the present section 55 should be amended so as to enable appellate authority to hear appeals without making payment as a condition.

8.30 *Non-appealable orders.*—No appeal is provided at present against (1) a notice issued under the Act calling upon a dealer for assessment or asking a dealer to show cause as to why he should not be prosecuted for offence under the Act, or (2) an order pertaining to the seizure or retention of books, registers and other documents or (3) an order sanctioning a prosecution under the Act. Suggestions have been received by us that appeal should be provided against all the orders passed by the authorities under the Act. Suggestions also have been made that there should be a provision for passing an order of liability or determining liability and an appeal should be provided against such an order. A further suggestion was also made that appeal should be provided against an order of composition.

We have considered the suggestions carefully. We think that no appeal need be provided against mere issue of notice as otherwise it would lead to multiplicity of litigation. The rights of the parties are not affected by mere issue of notice.

We feel that on similar ground no appeal need be provided against an order pertaining to the seizure etc., or an order sanctioning the prosecution as there will be no finality against such orders which *per se* do not affect the rights of the party adversely. They are at the most administrative orders as a result of which further action will be taken in proceedings in which normally right of appeal would exist. We have considered the suggestion for passing an order of liability and examined the same under the existing provisions of the Law. The Act nowhere provides for passing of an order determining the liability, as liability occurs on happening of contingency *viz.*, reaching a specified turnover limit of liability under section 3 or under certain circumstances as stated in section 19. This legal position has been upheld by decision of the tribunal. Moreover, a dealer whose liability arises under the Act and is assessed has a right of appeal against the final order of assessment in which his liability to pay tax as determined from a particular date can be questioned. We, therefore, do not see any justification for making a provision in the Act for passing an order of liability or determining liability and for provision for an appeal against such orders.

We do not agree that provisions for appeal need be made against an order of composition, as in our view such a provision would defeat the very purpose. Composition is sort of acquiescence by a party to a course of action and in no other legislations, composition is to our knowledge, subject to right of appeal.

8.31 *Review*.—It was suggested to us that a provision for review of orders passed by the same authorities should be incorporated in the Act. Provisions regarding review exist under section 114 and order 47, rule 1 of the Civil Procedure Code. Similar provision of review existed in the Central Provinces and Berar Sales Tax Act, 1947, has extended to the Kutch area of the State of Bombay (section 22 and rule 61). Generally review is allowed if a person considering himself aggrieved by an order (1) from which an appeal is allowed but from which no appeal has been preferred, or (2) from which no appeal is allowed. Review is made by the same authority passing the order in circumstances where there is discovery of new and important matter or evidence which, after the exercise of due diligence was not within the knowledge of the person or could not be produced by him at the time when the order was passed or on account of some mistake or error apparent on the face of the record.

We find that there is already a provision under section 62 of the Act for rectification of mistakes and Commissioner can at any time within 2 years from the date of orders passed by him rectify any mistake apparent from the record either on his own motion or on such mistakes being brought to his notice by any person affected by it. To this extent the provision regarding review which normally exist elsewhere is already covered under this section.

We do not think that in sales tax, there is need for review on the ground of discovery of new and important matter or evidence which after the exercise of due diligence was not within the knowledge of the dealer or could not be produced by him at the time when the order was passed. We do not find that provision of review exist in any of the Act relating to sales tax beyond the power of rectification. In view of this we do not suggest any modification in the present position under the Act.

8.32 *Sales Tax Tribunal*.—The Sales Tax Tribunal is the highest fact finding body under the Sales Tax Act. The constitution of the Tribunal and its functions are prescribed under the Act. The qualification of the members of the Tribunal and their term of office are prescribed under the rules. It has been urged before us that with a view to ensure status and independence of the Tribunal, appointment of the President and members should not be made by the State Government but should be made by the High Court and that the President of the Tribunal should be a person who has been a High Court Judge.

We see no objection in the appointment of the President and members made by the State Government as the Sales Tax Tribunal is an administrative Tribunal but there is no doubt that its status and independence should be maintained. There is no power under the Act with the Government to interfere with the decision of the Tribunal in the orders passed by it and the independence of Tribunal is fully ensured. There should be no apprehension that the status and independence of the President and members is impaired merely by virtue of their appointment being made by the State Government, as under the provisions of the Act and the rules, the President or the members of the Tribunal cannot be removed from their office during the tenure of their appointment except on the prescribed grounds.

Sales tax is an important department of the Government from the point of revenue. Sales tax law is technical and complicated. Highly important issue of fact and law arise in the proceedings before the Tribunal. The President of Sale Tax Law was so far President of, Co-operative Tribunal also. Looking to the magnitude of work, the Sales Tax Tribunal is expanded and the President is now the President of the Sales Tax Tribunal only. We think that looking to the importance of the administration of Sales Tax Law, the office of the President and members of the Tribunal should be held by persons of high status and repute.

We think that the Tribunal should consist of judicial and accountant members and a person who has been a District Judge or is qualified for appointment as District Judge and has held judicial office for not less than 10 years or is a Chartered Accountant and has practised as such for not less than 6 years or who has been in practice as an advocate for at least ten years or has served in the Sales Tax Department in a post not lower than that of a Deputy Commissioner of Sales Tax for atleast 6 years or has experience of taxation matters, having held post of a high executive in a commercial or industrial concern, should be qualified to hold the post as a member.

8.33 *Sales Tax Practitioners.*—Sales Tax Practitioners constitute a recognised institute in the field of sales tax practice. The enrolment of Sales Tax Practitioners is made by the Commissioner according to the provisions prescribed in the Act. The qualifications of Sales Tax Practitioners are prescribed under the rules. A legal practitioner or a Chartered Accountant is entitled to appear before Sales Tax Authorities without enrolment. Any other practitioner who possesses the prescribed qualifications is eligible to be enrolled by the Commissioner.

A legal practitioner or a Chartered Accountant is governed by the Bar Council rules or the rules of the Institute of Chartered Accountants, as the case may be, and are thus amenable to disciplinary control of respective associations. It was suggested that other Sales Tax Practitioners should also be made amenable the similar disciplinary control. A suggestion was also made that for persons who once belonged to the Sales Tax Department and desire to get enrolled, some qualification should be prescribed. A provision is made in the Act that a person who has been removed or dismissed from Government service is not qualified to be enrolled and save for this, we see no reason why an Officer of the Sales Tax Department who possesses the prescribed qualifications like any other and is eligible for enrolment should not be enrolled.

As for disciplinary control over the members of Sales Tax Practitioners' Association, we suggest that the association may consider to have its own constitution for controlling activities of its members and should consider disciplinary action on the lines of Chartered Accountants' Association or Bar Council Association and the Government should make arrangement to give recognition to the constitution of such association if it approaches the Government.

8.34 *Board of Revenue.*—We have received suggestions for constituting a Board of Revenue in the State. Boards of Revenue exist in several States which administer the States taxes and commercial taxes including the administration of sales tax. We think that there are advantages if a Board of Revenue is set up in the State. Looking to the growing importance of a number of State taxes, and need for co-ordinated taxation policy and also for uniform and integrated implementation of taxation laws, need for setting up a Board of Revenue in the State is obvious. Since we have recommended earlier that the Appellate Assistant Commissioners should be under the administrative control of the Board of Revenue, this will be ensured if a Board of Revenue is constituted to exercise administrative control over cadre of Assistant Commissioners. We, therefore, recommend that State Government may consider constituting a Board of Revenue in the State.

The Board of Revenue may be constituted of a member in charge of administration of revenue law. Another member may be in charge of all commercial taxes. The third member may be in charge of miscellaneous work like registration, stamps, etc. and also may be in charge of administration. The Board may have appellate functions of hearing the appeals which are being heard by the Government under the various Acts.

## CHAPTER NINE

## HARDSHIP TO DEALERS

9.01 *Hardship*.—Working of any administration always presents points of friction or sensitive situations which, if not properly tended or cared for, cause irritation or hardship. Sales Tax Department, which has dealing with large and responsible section of the public cannot be an exception to this. Payment of tax, in itself, may be considered hardship but we are happy to note that all dealers, big or small and all associations of the dealers have unanimously expressed that payment of legitimate tax to the State is regarded by them as a national duty. All that they clamoured for, was the least pinching in the way the tax is assessed and collected. It is in this spirit that constructive suggestions have been made by dealers and associations on system, rationalisation of tax structure, simplification of the procedure and measures to be taken for removing hardship to dealers. We have also endeavoured to see that hardship to dealers, is minimised, if not completely eliminated, while making recommendations on the system and the rationalisation of the structure. We have considered cases of genuine hardship in the special problems discussed by us in chapter six. We have also taken into account a number of suggestions in the chapter on simplification of the procedure which would result in avoidance of hardship. Still, however, there are a number of aspects which require to be considered for removal of hardship to dealers. We have received criticism on imposition of heavy penalties, reckless filing of prosecutions, offering heavy amount for composition which tantamounts to coercion, delays in assessments and grants of refunds, complicated provisions for claiming set-off, drawback etc., enforcement of back liability without any limit and withholding equitable relief in cases of double taxation and genuine hardship. We have also received unanimous criticism about lack of facilities and amenities in the offices of the Sales Tax Department and the lack of proper environment. We have dealt with all these aspects in the present chapter and have also dealt with need for better public relations for promoting understanding between the department and the dealers which will, in a large measure, tend to soften the points of friction, or sensitive situations, which cause avoidable hardship.

9.02 *Penalty*.—The provisions regarding penalty are contained in sections 36 and 37 of the Act. Several difficulties experienced in the operation of the provisions relating to penalty have been pointed out to us. We have examined the difficulties and make recommendations as under :—

(a) Although penalty is provided in section 36(1) for breach of certificates, if failure to act in the terms of recitals of the certificate issued by the dealers are for *bonafide* reasons which the dealer could not reasonably anticipate, liberal view should be taken and no penalty need be levied. For variations in respect of contravention exceeding 15 percent of the purchase value of goods, the department is following a liberal policy which should be continued.

(b) Our attention has been drawn to provision contained in section 36 (2) (b) under which regular dealers who furnish all returns for assessment year in time, are liable to penalty if they do not respond to the notices in form No. 27 while irregular dealers or defaulters covered by section 33(5) and 33(6) are left out from the penalty clause. This being an anomalous position, we recommend that clause (b) of sub-section (2) of section 36 may be deleted.

(c) In order to curb the tendency of withholding payment legitimately due to the Government at the appropriate time, a provision has been incorporated under section 36 (3) with effect from 1st September 1967, so as to levy penalty under section 36(3) on the differential amount of tax assessed or re-assessed provided this amount exceeds 20 percent of the amount credited by the dealer into Government treasury prior to assessment. It has been pointed out to us that as the provision stands at present, no distinction is made between the differential amount arising out of genuine misunderstanding about the provisions or subsequent decision by higher appellate authorities or disallowance of sales against certificate / declarations or honest belief on one hand and *malafide* withholding of payment of tax on the other hand. Under such circumstances



even though the differential amount of tax assessed is on account of any of the genuine reasons mentioned above, penalty under section 36(3A) would appear to be leviable. The position, which was perhaps not intended, causes genuine difficulty. We, therefore, recommend that the penalty clause should be clearly drafted to avoid levy of penalty for difference in payment of tax and the tax assessed, on account of genuine and *bonafide* reasons. We also think that difficulty arises because of the present provision as drafted under which penalty could be imposed for indefinite period and quantum of penalty would increase with delay in passing the assessment order. This also causes genuine hardship. We, therefore, further recommend that a provision should be made in such cases that penalty under section 36(3A) to be levied in assessment order shall not be calculated for a period of more than 18 months. We may point out here that similar provision existed under rule 18A(3) of the Bombay Sales Tax (Procedure) Rules, 1954, and provision on these lines will, in our opinion, go a long way in removing hardship to dealers.

(d) Clause (4) of section 36 deals with penalty for contravention of the provisions under section 47 which relates to non-issue of the bill, cash memorandum. The present provision gives discretion to the officers to levy penalty of any amount which does not exceed Rs. 100 or double the amount of the bill or cash memorandum whichever is more. Although there is discretion to levy penalty less than Rs. 100 or double the amount, the possibility of levying double the amount of the bill if it is higher than Rs. 100 cannot be ruled out and such amount of penalty would operate hardship. We, therefore, recommend that the penalty clause (4) in section 36 should be amended to provide for quantum of penalty at Rs. 10 per bill or cash memorandum or upto 10 percent of the bill whichever is more.

(e) Our attention has been drawn to provisions of forfeiture under the Act (section 37). Provisions relating to forfeiture of tax wrongly collected or collected in excess are a constant battle of dispute between the dealers and the department. Judgments of the courts are also not uniform in the matter of interpretation of this complicated issue. It is said that forfeiture has to be resorted to in the interest of public policy as none should benefit at the cost of public exchequer. It is also the Government alone which has a right to levy and collect tax and none else can collect any amount by way of tax. If any unauthorised collection is made, the State has a sovereign right to forfeit. It is this principle which should be borne in mind for forfeiting the amount so that no undue benefit goes to any dealer at the risk and cost of the customer or public exchequer. We, therefore, think that forfeiture, which in essence is a penal provision, should be levied by way of penalty by an amount equivalent to the amount which has been unauthorisedly collected or collected in excess and if unauthorised collection or collection in excess is not on account of *bonafide* reasons, provisions of penalty or prosecution, as the case may be, may apply. We recommend that the provisions regarding forfeiture and penalty should be amended accordingly.

There are also certain other difficulties which require consideration. At present the view taken is that any amount which is unauthorisedly collected or collected in excess, is liable to forfeiture and the amount is deemed to have been forfeited as soon as it is unauthorisedly collected and there is no opportunity for the dealer to refund the amount. We suggest that until the present provisions are amended, before forfeiting the amount an opportunity should be given to the dealer to refund the amount to the person from whom it is collected within one month after the assessment order. Another difficulty was pointed out regarding forfeiture of an amount collected by way of surcharge or by such other name. As levy of surcharge is recognised trade practice to recoup the dealer of the tax and other charges paid on purchases, we suggest that where the amount is shown as surcharge and not by way of collection of tax under the circumstances, described above, such amount should not be forfeited and law may be amended accordingly.

9.03 *Prosecution*.—Section 63 of the Act provides for certain contraventions to be treated as offences and also provides for penalty. There is a provision for composition



in lieu of prosecution (Section 69) in respect of these offences. It was represented to us that the department indulged in prosecution in petty offences or on insufficient grounds.

We have examined the statistics regarding number of prosecutions filed and the results of prosecution before the courts of law. The results do not justify the impression that prosecution are filed in a large number of cases and even recklessly.

We wish to impress that the main purpose behind the prosecution of an offender under the Sales Tax Act is that it should serve as corrective and deterrent and prosecution should not be resorted to for mere sake of it or as a routine technical procedure. Distinction should be drawn between the contravention with an intention to defraud or cheat and contravention which may be attributed to oversight, negligence and other forms of inadvertence.

We think that the scope of prosecution in certain respects requires to be restricted and even where provision for prosecution were to exist, prosecution should not be resorted to as a rule.

In light of the above criteria, we make the following recommendations for restricting the scope of prosecution in some respects under section 63 as follows :—

(a) Section 63 (1) (a) deals with offence by a person who carries on business as a dealer without being registered in contravention of Section 22. We think that, distinction can be drawn between failure to get registration due to negligence, ignorance and such other *bonafide* reasons and due to *malafide* failure to get registration or intentionally avoiding registration with a view to avoid payment of tax or to defraud State Revenue. In the former type of cases, contravention should be attended with penalty under section 36 (2) (a) and such contravention should not be treated as an offence. In the latter type of cases, contravention may be continued to be treated as an offence.

(b) Section 63 (1) (b) deals with failure to present documents for cancellation. Section 28 makes it obligatory on a dealer to present their documents for cancellation in the prescribed circumstances. Failure to present document, in our view be attended with penalty only and should not be treated as offence.

(c) At present failure without sufficient cause to furnish any return as required under section 32 by the date and in the manner prescribed or knowingly furnishing a false return is punishable as an offence under section 63 (1) (c). We recommend that failure without sufficient cause to furnish any return should be attended with penalty under section 36 only and should not be treated as an offence.

(d) Under section 63 (1) (g), failure without sufficient cause, to furnish any information required by section 30 is an offence, we think that mere failure without sufficient cause to furnish any information should be attended with penalty under section 36 only and should not be treated as an offence. We have also considered the difficulty of the dealers arising out of the requirements in clauses (c) and (d) of section 30. This section requires a dealer to inform changes in the name or nature of his business or changes in the classes of goods sold or bought by him. A dealer in a particular trade, trading in some additional commodities is sometimes regarded to have changed the nature of his business. Such a change in trading of commodities is a normal feature and legal obligation to furnish information unnecessarily puts a dealer to hardship and failure to furnish information is attended with prosecution which sometimes becomes harsh. Similarly a manufacturer has to effect change in the classes of goods sold or bought by him in view of the changing techniques and processes and it is difficult for a manufacturer not to effect any change in the classes of goods sold or bought by him in the manufacture of goods in which he is engaged. Changes of such nature are brought to the notice of the department through returns or otherwise and separate information to be furnished by the dealers, may hardly serve any purpose. We, therefore, recommend that clause (c) and (d) in section 30 should be deleted.

(e) Section 63 (1) (h) makes contravention of the provision of section 46 an offence. Unauthorised collection or excess collection is attended with penalty under section 37 by way of forfeiture and we do not think that a separate provision for prosecution should exist. In some cases tax is not intentionally collected as unauthorised initially but it is held unauthorised collection later on. We, therefore recommend that clause (h) in section 63 (1) should be deleted.

(f) Section 63 (1) (i) refers to keep a true account of the value of goods bought or sold by a dealer as required by section 48 and also deals with failure when directed so to do under that section to keep any accounts or records in accordance with the direction. While we think that failure to keep accounts or records in accordance with the direction, would amount to flouting the authority and should in our opinion be continued to be treated as an offence, we do not see any sound reason for more unintentional failure to keep true accounts to be treated an offence. We, therefore, recommend that failure to keep true accounts of the value of goods bought or sold by a dealer should be attended with penalty under section 36 only and prosecution need not be resorted to except in cases of intentional failure.

(g) Section 63 (1) (k) refers to knowingly producing incorrect accounts, registers or documents or knowingly furnishing incorrect information. The word 'incorrect' is sometimes loosely interpreted. In our opinion, if the accounts etc. produced are false or information furnished is false, prosecution may be justified. We, therefore, recommend that the word 'incorrect' should be replaced by the word 'false'.

Even after restricting the scope as above, there will be circumstances in which provision for prosecution should apply. We, however, would like to emphasise that prosecution in such circumstances should remain as ultimate sanction and offences which are technical and do not involve moral turpitude should be attended by departmental penalty and in other cases also composition should be offered and prosecution ordered as a last resort.

9.04 *Composition.*—Provision exists in section 69 of the Act that the Commissioner may either before or after the institution of proceedings for any offence punishable under section 63 or under any rules, accept from any person charged with such offence by way of composition of the offence a sum not exceeding two thousand rupees or double the amount of tax whichever is greater. It was represented that the provisions made for composition in lieu of the prosecution were not of much practical value, as in many cases, composition was offered for a high amount which virtually amounted to coercion.

We have seen a few instances in which the composition amount was so high that the dealer had to agree on pain of prosecution. We have also examined the provisions. We think that the provisions are adequate and vest a reasonable discretion in the officers. However, we have come across a few cases where the discretion is not used judiciously.

We wish to emphasise that the object of composition in lieu of prosecution is to offer a reasonable amount and not an amount so disproportionate high that the dealer is either coerced to agree or forced to prosecution. Composition is not also intended as a source of revenue but is meant to serve as a corrective. We, therefore, suggest that the discretion vested in the Officers should be used discretionally in such cases and the amount to be offered as composition in lieu of prosecution should be reasonable looking to the circumstances of each case.

9.05 *Recovery of dues.*—Under the provisions of the Act, if a dealer fails to make payment of any tax, penalty, or sum forfeited before the date specified in the notice for payment or any other extended date, it becomes recoverable as an arrear of land revenue. There is also a provision for special mode of recovery for recovery of dues from any person from whom any amount of money is due or may become due to the dealer who is a defaulter or from any person who holds or may subsequently hold money on account of such defaulting dealer. The provisions are statutory and are necessary in the interest of revenue.

However, some times action is taken without regard to the facts of circumstances which result in hardship. Instances were pointed out to us that in few cases of dealers disposing away properties with a view to defraud revenue, no timely action is taken by the department against dealers, who ultimately turn out to be defaulters and assets in the hands of the defaulters are not proceeded with even though they are known to the Department, but action for recovery is taken against the transferee alone which gives an impression that such action is taken with a view to harsh the transferee and to shield the defaulter.

We do not dispute the position that the recovering authority can simultaneously pursue action against the defaulter and the transferee in such cases but we may point out that the officers of the department, should not be an instrument in the hands of unscrupulous persons who exploit the machinery to suit their designs.

9.06 *Refund.*—Delay in refunds is one of the constant complaints of the dealers. It has been represented before us that claims of refunds should be paid to the dealers without delay and provision should be made for payment of interest on delayed refund.

We have examined the position about the number of cases where refunds were not paid beyond 2 months in different ranges. We find that delay was not so much in the payment after refund orders were passed but in many cases refund orders were not passed considerably long time after the refund was admissible as a result of order passed in appeal or revision'. It was stated by the Officers that it sometimes took a long time for appellate or revisional authorities to send back the records. We, however, do not think that delay in working out of the refund or payment would be justified on any such ground. It should not become difficult to make adequate administrative arrangements to see that refunds are worked out by the authorities in the order itself or that records do not take long time to reach the Officers who have to work out the refund. Another reason stated by the Officers was that in cases involving refund beyond Rs. 2,000, the records were sent to the Assistant Commissioners for pre-audit before the assessment orders involving such refunds were passed. Although we do not suggest that pre-audit should be dispensed with in the interest of revenue, where higher amount of refund is involved, we suggest that such cases should receive priority and records should be sent back after pre-audit within a period of 2 months and assessment order along with the refund order should be passed.

In order to remove hardship to dealers, we recommend that in all the cases involving refund, payment of refund should be made to dealer within three months from the date of order. We also recommend that interest should be paid for delayed refund. And for this purpose, we suggest that a statutory provision should be made that where an amount required to be refunded by the Commissioner to any person by virtue of order issued under the Act is not refunded to him within 90 days from the order, the State Government should pay such person simple interest at  $4\frac{1}{2}$  per cent per annum on the said amount from the date immediately following the expiry of the period of 90 days to the date of the refund. If the delay in granting the refund within a period of 90 days is attributable to the dealer, whether whole or any part of the period of the delay attributable should be excluded from the period for which interest is payable. We also suggest that a provision should be made that where any question arises as to the period to be excluded for the purposes of calculation of interest, such question should be determined by the Commissioner whose decision should be considered final.

9.07 *Set-off.*—Section 42 of the Act provides for authority to make rules specifying the circumstances and conditions under which draw back, set off or refunds of the whole or any part of the tax paid levied or leviable should be granted to the purchasing dealer. Rules have been framed under this section under rules 40, 40A, 41, 41A, 42, 43, 43A, 44, 44A, 44B, 45, 46, 46A. It has been represented to us that the language of the rule is complicated and rules are required to be framed in simple language. It was also stated that the complexities of the rules should be removed.

We have examined various rules and the circumstances under which the draw back or refund can be considered under each rule. We have examined the conditions which should be satisfied before draw back, set-off or refund is admissible to a dealer. The main conditions are that the dealer should be a registered dealer at the time of

purchase, that he should maintain a true account in chronological order of all purchases of goods made by him, that the sale price and the amount of tax should have been shown separately in the original bill and that the dealer has produced original bills of purchases.

There are a large number of set-off rules but we find that each rule has a distinct purpose to fulfil and separate rule for set-off under each set of circumstances is necessary to achieve the desired object. We do not therefore see any possibility of reducing the number of set-off rules, if the rules for set-off have to be enacted.

We have already observed earlier that the rules regarding draw-back, set-off and refund which are complex, need substantial simplification in language or expression or require altogether a different approach.

We have recommended a system with documents use of which will eliminate the need for claims of set-off, refund etc. Although document of recognition was provided for facilities of manufacturers, it happened that some manufacturers did not obtain the recognition certificate and preferred to claim set-off. Since we have recommended simple procedure for obtaining documents, relaxed conditions in the documents and evolved simple forms for documents, we see no reason why the dealers should not obtain the appropriate documents which have been devised in their own interest. If the dealers choose to obtain the documents, need for set-off would not arise. Although use of various documents may not be made compulsory, dealers should be persuaded and encouraged by assiduous and positive means to make use of documents. An alternative to non-use of documents cannot be a simpler one.

We recommend, therefore, that the dealers should be persuaded and encouraged to make use of documents which are prescribed to create facilities to them and if in any case no documents are obtained or are made use by a dealer, the grant of set-off should be provided by way of a discretionary provision in Section 42 of the Act and no elaborate rules should be enacted for the purpose.

9-08 *Enforcement of back liability.*—Section 33 (6) provides for assessment of a dealer who though being liable to pay tax in respect of any period has failed to apply for registration within the prescribed time. Such cases normally arise as a result of survey or enforcement and vigilance measures. Liability in such cases is required to be fixed right from the date on which the dealer is found to have reached the prescribed limit of liability. It was represented to us that fixing of back liability for a very long period caused hardship to dealers.

We think that distinction should be made between dealers who do not get registered with deliberate and *malafide* intention and who have not obtained registration with an intention to defraud Government Revenue and the dealers who fail to get registration through *bonafide* misunderstanding. In the latter type of cases, fixing of back liability over a long period is likely to result in undue hardship. Department is following a liberal policy in such cases. However, as there is no statutory limit prescribed in the Act or the rules, different officers are likely to fix liability for different periods in same types of cases which may result into hardship or inequity. Although theoretically liability may arise for a long period, no practical purpose will be served by enforcement of back liability for such a long period in large number of cases, as besides causing inconvenience and hardship to dealers for producing accounts etc, and inconvenience to the department, the tax assessed for the entire period become so high that the dealer is generally not in a position to pay it and the department has usually to take recourse to write off proceedings. On practical considerations as well as of the administrative convenience or removal of hardship to the dealers, we are of the view that limit for fixing liability should be placed under a statutory provision.

We recommend that time limit should be placed for back liability.

(a) where the Commissioner has reason to believe that the dealer has not obtained registration with a deliberate and *malafide* intention or with intention to defraud the Government revenue, not beyond 8 years, and

(b) in any other cases, not beyond 4 years, of the beginning of the Financial Year in which the notice under section 33 (6) is issued.

9.09 *Equitable relief.*—Practice of granting extra statutory concessions has found place in almost all tax systems. Need for extra statutory concessions arises in cases of double taxation and in inequitable situations. There has been a practice of issuing executive concessions from time to time in the State but we are told that recently the authority of the Government to issue such executive concessions is questioned on the ground that it has no sanction under the Law. We do not think that the powers of the Government to issue extra statutory concession should be restricted. In United Kingdom, a practice to issue extra statutory concessions exists, as will be seen from the following abstract :

“From time to time the Treasury announced concessions in favour of all tax payers in the situation covered by the concession which it will make in applying tax law. These extra statutory concessions represent deviations from strict statutory requirements which the Treasury will follow for administrative convenience or for avoidance of manifest inequity not contemplated by the statute. While there is no legal basis for this executive relaxation of statutory requirements, the practice has been followed for a number of years without parliamentary disapproval. The concessions usually relate to technical provision of relatively minor importance, which if directly applied, would result in undue hardship”.

We recommend that Government should continue the policy of issuing executive concession on the above analogy. Should however, there exist any legal doubts about the authority of the Government to issue such extra statutory concessions, we recommend that law should be amended to vest power in the Government to grant concessions in cases of double taxation or in inequitable situations.

9.10 *Improvement of relations.*—Good public relations are very vital in democratic functioning of Government and need of better understanding and co-operation between a taxation department like department of sales tax and a large multitude of tax paying dealers cannot be over emphasised. It has been strongly urged by associations and dealers that scant attention is being paid to even medium request for good reception, adequate sitting space and normal amenities. It has also been emphatically stated that there is need for change in the outlook of the officers connected with the administration of sales tax.

We think that number of steps for improvement in the administration are necessary for better relation between the department and the dealers. As we have strongly recommended earlier, assessments should be expeditiously carried out, there should be minimum of delays and inconvenience in obtaining registration, filing returns, obtaining documents and in the payment and collection of tax. Not only that there should be no delays in payment of refund or in deciding fair claim of set off etc., but the dealers should be properly guided in getting their legitimate claims from the Government. Dealers are mostly and frequently coming in contact with the Sales Tax Officers and the Sales Tax Inspectors. The usual complaints of the dealers are that they are not received properly and in most cases the attitude of the officials is unhelpful. The dealers are looked upon suspicion and irrelevant inquiries are made at the time of verification. If the dealers are received well and treated with respect at the time of their first contact by the officials in the department, half of the problems will be solved. We also think that apart from these measures, there should be a real change in the attitude and approach of the officials of the department. We suggest that there should be emphasis on reorientation of out-look on the part of all officials and need for better relations should be impressed on them from time to time. We also suggest that public relations should be one of the subjects in the curriculum for training and reorientation courses.

9.11 *Public Relation Officers.*—For the promotion of good public relations, appointment of a public relation officer is essential for any department. Need for a Public Relations Officer for department of Sales tax is accepted and a Public Relations Officer is already appointed in the office of the Commissioner of Sales Tax, to look after public relations activities. It has been stated before us that the post of Public Relation Officer is only in name and the officer working in the office of the Commissioner of Sales Tax has neither proved useful nor effective in improving the relations between the department and the dealers.

We have found that the Public Relation Officer functioning in the office of the Commissioner is burdened with several other duties and is hardly able to devote time to matters of public relations. We recommend that the Public Relation Officer should be charged exclusively with all the functions pertaining to public relations and should be relieved forthwith of any other duties with which he is saddled. We further recommend that the functions to be discharged by the Public Relation Officer should be clearly defined and that the office of the Public Relation Officer should be held by a smart and active officer who possesses proper aptitude for such work.

We suggest the functions of a Public Relation Officer to be broadly defined as under :—

(1) He should be in charge of supplying information and guidance to the dealers. The growing complexity of law requires on one hand dissemination of information regarding provisions of law, correct interpretation etc., while on the other hand the dealers are required to be educated in the fulfilment of their tax liability and in compliance with the various provisions of law.

(2) He should be in charge of publicity of provisions of Act and Rules, important amendment from time to time and departmental circulars affecting the dealers. He should promptly issue informal clarifications on routine queries posed by the dealers and should see that dealers seeking clarifications on matters with which he cannot deal are receiving prompt replies from competent authorities.

(3) Complaint boxes are kept in all Sales Tax Offices. The Public Relation Officer should see that complaints received in the boxes are promptly attended to by the officers concerned and he should report delays and dealing with any complaint to the Commissioner of Sales Tax. In the office of the Commissioner of Sales Tax, he should be in the charge of all complaints received in Commissioner's office and should see that the complaints are dealt with expeditiously and grievances of the dealers are redressed.

(4) He should visit the office in the mofussil and should see the proper facilities and amenities are provided in all offices.

(5) He should keep vigilance over delays of refunds and other claims by dealers through his visit to offices, through the complaints received from dealers and through the medium of dealers' associations.

(6) He should function as a Liason Officer between the department and all external organisations, associations and other departments of Government. He should maintain close liason with the leading chambers of commerce and dealers associations to acquaint himself with the general difficulties and grievances of the dealers and should seek redress of such grievances and removal of such difficulties by taking them up with the appropriate authorities.

A suggestion has also been made that there should be Public Relation Officers one in each district or atleast one at each divisional head quarters. We do not agree that there should be a Public Relation Officer at each district headquarter as we think that each Sales Tax Officer should take upon himself the responsibilities of good public relations for his own office. A number of officers in charge of public Relations may tend to deprive the other officers of the initiative and the aptitude which they should exhibit in their day to day dealings with the dealers. However, as there are large number of Sales Tax Officer's offices and as the working of the department is decentralised, we recommend that a Public Relation Officer should be appointed for each division in addition to the Public Relation Officer working in the office of the Commissioner of Sales Tax. We also recommend that the Public Relation Officer shall be directly responsible to the Commissioner and they should be enabled to function effectively.

9.12 *Publicity.*—We have already referred to the need for supplying information and guidance to the dealers and also need for publicity of provisions of Act and Rules important amendments from time to time and departmental circulars affecting the dealers. It has been represented before us that the Sales Tax Department should issue bulletins containing gist of important interpretations or clarifications for the benefit of general public. It was pointed out that the department used to issue bulletins in the past but the practice had been discontinued for some years. We understand that this was done because practice of giving informal opinion to dealers was started. Besides issuing clarifications on queries from individual dealers, the department is circulating important interpretations or clarifications which are of a general nature to all the associations on the approved list of the department. The gist of decisions given under section 52 and the decisions of the Sales Tax Tribunal are also being circulated to the Associations.

We think that the practice of giving informal opinion on queries raised by dealers do not cause any embarrassment to the department. On the contrary such clarifications are a great facility to the dealers. In controversial or complicated questions, it is open to the department to ask the dealer to seek determination under section 52 of the Act.

We also think that issue of informal clarifications to individual dealer will not take place of the bulletins which are meant for information and guidance of the class of dealers generally, we have seen a few bulletins issued by the State after the formation of the new State and we have no doubt that such bulletins are very useful both to the dealers and the officers working in the Sales Tax department. While, therefore, we recommend that the practice of giving informal opinion should continue, issue of bulletins should also be restarted as such bulletins will contain important interpretation or clarification of a general nature which will be available to the dealers for their benefit.

We have been told that amendments in the Act or Rules are published in the *Official Gazette* but the Gazettes are generally not read by all dealers, particularly, dealer in mofussil areas. Publicity of important amendments in the Act or Rules should be made in all important news papers. In order to acquaint the dealer with the full version of the Act and Rules, publicity should be made by insertion of paid advertisements in the news papers, wherever necessary.

In view of the number of amendments in the Act and Rules made from time to time and other clarifications and circulars issued by the department for the benefit of the dealers, it appears necessary that all such material should be published at one place so that the dealers can conveniently find them at one place. We, therefore, suggest that either a quarterly or monthly bulletin should be issued by the Sales Tax Department containing all such important materials, which need be brought to the notice of the dealers or should be printed in a separate part of the Gazette to which dealers' associations, practitioners' associations and individual dealers can subscribe.

9.13 *Facilities and Amenities.*—Need for proper environment in Sales Tax offices cannot be over emphasised. We have already referred to the complaints of the dealers and the practitioners that they are not received properly in the sales tax offices. The officers of the sales tax department have pointed out that with the best of intention on their part to provide facilities to dealers, they are unable to do so for lack of proper accommodation in offices and lack of furniture and other amenities. We have tried to collect data about office accommodation and furniture and amenities in various offices. We cannot fail to observe that the accommodation in the buildings in which the offices are located is very poor at most of the places and the waiting facilities for dealers and practitioners are extremely meagre. Some of the offices have no waiting place worth the name. No secrecy is maintained while examining the books of accounts of several dealers at a time. Not only that necessary furniture is not provided for the dealers and the practitioners and for the staff in many offices but part of the existing furniture is obtained on hire. No water coolers are provided for drinking water facilities for visitors and dealers. To create proper environment and to afford simple amenities and facilities is the first step towards creating better atmosphere in the offices which large number of dealers every-day visit.

We recommend that the department should have a programme of building its own offices in all district, head quarters, wherever Government buildings are available, adequate accommodation should be provided to accommodate at one place all the Government offices which are sitting in different buildings even in the same city. Where Government buildings are not available, accommodation must be secured in a hired building in a locality convenient to dealers. In all buildings, arrangements should be made for waiting space for dealers and practitioners. Accommodation should be so provided, if needs be by revising the scale of accommodation that adequate space is kept between inspectors sitting in the same room in order to maintain secrecy at the time of verification. Obstructions of partitions should be provided to maintain secrecy. We also recommend that in cities with population of 50,000 and above, Chambers for practitioners' associations should be provided in a building where all or largest number of local offices are housed. It will be a great facility to dealers, if a public telephone is provided in big cities in the building of the Sales Tax Office or in the vicinity. If there is no facility for such a public telephone, use of telephone on payment should be considered for dealers their representations and sales tax practitioners who visit their offices, subject to restriction of hour during which telephone will be made available or on such reasonable conditions.

In view of the difficulties of holding offices in the rest houses, the department should consider opening of new offices, where justified or holding camp offices in separate Government or hired buildings, where frequent camps are necessary.

9.14 *Advisory Committee.*—The previous committee recommended constituting a Sales Tax Advisory Committee. The Government has accordingly constituted such a committee right from the inception of the State. The committee functions as an Advisory Committee and is consulted by the Government on questions of administrative policy. Rules proposed to be framed under powers given to Government by law and draft amendments thereof from time to time are placed before the Committee to ascertain its view. Government also consults that committee on legal interpretation where such interpretation happens to run counter to established trade practices. The committee has not to deal with matters of internal administration of the Sales Tax Department or questions of appointments, transfers and disciplinary action pertaining to staff members. It will not make recommendations on an individual case of a dealer or would not call for information in respect of such dealer. It has been the experience of the Government and the dealers that the functioning of the committee has proved quite useful. Suggestions have now been made before us that Sales Tax Advisory Committees should also be constituted at divisional and district level.

According to the pattern of administration of the Sales Tax Department, there is no one officer in charge of the whole district. In some districts, there are more than one offices. There is no advantage nor is it administratively convenient to constitute district level committees. However as the functions of the Department are decentralised and as there are Divisional Deputy Commissioners of Sales Tax at Ahmedabad, Baroda and Rajkot, it will be useful to constitute Advisory Committees at Divisional level.

We, therefore, recommend that besides the Sales Tax Advisory Committee at the State Level, Divisional Advisory Committees should also be constituted. The Commissioner of Sales Tax should function as Chairman and the Deputy Commissioner of Sales Tax in charge of the division should function as Member-Secretary to such committee. We also suggest that atleast one member coming from a particular division of the State level committee should represent at the Divisional Advisory Committee. The Sales Tax Advisory Committee at the State level as constituted at present is unwieldy and we think that its size should be kept limited in order that it can function effectively. We also suggest that the size of the Divisional Advisory Committee should be kept small.

9.15 *Other measures.*—We suggest a few measures, which we think, will promote better understanding between the department and the dealers :—

- (1) The occasions for discussions on difficulties experienced by the department and the dealers on the implementation of the Sales Tax Act are few.



The Sales Tax Advisory Committee brings some problems to the notice of the Government but day-to-day difficulties are too many and not all of them can be discussed adequately at a committee at State level meeting at long intervals nor it may be considered a right forum for such discussions. We have recommended Divisional Advisory Committee in each Division which may provide for such a forum. However, this will also serve a limited purpose. We suggest that Regional conference may be held once in a year in each Division when the officers from the department and representatives of the responsible dealers' association and Sales Tax Practitioners' Associations may discuss common problems of administration which are of concern to the department and the class of dealers. Exchange of viewpoint at such conferences may help to remove misunderstanding or mistrust which exists for lack of information or proper view point on many matters. We have been told by associations of dealers that such conferences were held in the regions in 1965 and holding of such conferences at intervals will be useful.

We may observe here that the Sales Tax Conference called by the Gujarat Vepari Mahamandal has created a good climate and such conferences can be converted into seminars where the officers of the department and the representatives of dealers and the practitioners' associations can participate.

(2) Government makes publicity on several matters through a variety of media. Publicity to rouse consciousness for payment of tax by appeal to sense of patriotism alongwith publicity on achievements of plans and need for small savings efforts will go a great way in removing apathy towards taxes and in securing better co-operation of the tax-payers in levy and collection of sales tax.

(3) We suggest that the department should publish on pamphlets in simple language intelligible to small dealers, explaining the requirements for compliance by each class of dealers, manner of filling returns and forms and the simple manner in which the dealer could comply with requirements, as such literature will help the small dealers to understand the requirements of the law in simple language and in a simple manner and will help the administration also.

(4) We have seen that Tax Journal is issued by the Sales Tax Practitioners' Association, information on sales tax is published in monthly bulletin of the Gujarat Vepari Mahamandal and several other associations are issuing bulletins containing information on sales tax for benefit of their members. A close liason between the department and these publishing media will help in making these publications more comprehensive and useful and will help considerably in educating the paying dealers on many matters of vital importance.

We hope that alongwith our other recommendations, implementations of system made above will help in creating atmosphere in which the administration of sales tax however unpleasant, will run smoothly.

## CHAPTER TEN

## CONTROL OF AVOIDANCE AND EVASION OF TAX

10.01 *Evasion of tax.*—Evasion of tax, as distinct from non-payment, as a wilful concealment of tax by suppression or otherwise, has been a phenomenon at all times and in all climes. Its roots are embedded in human nature. Its nature and extent, however, differ, depending upon economic and social climate, chances of leakage, high rates of tax and impossible conditions for compliance. The problem of evasion has thus two facets—one of prevention and the other of detection. The first is partly a problem for the administration and partly for leaders in public life to tackle. The removal, by conscious efforts, of features which facilitate and encourage evasion is a matter for the administration to take care, while to develop public consciousness against evaders of tax is largely a role of public leaders. The second is entirely a problem for administration, *viz.*, to detect coupled with deterrent action against those who evade tax and whose unsocial acts should be exposed and punished in the larger interest of the society.

We have kept the aspect of prevention of evasion *viz.* removal of features which facilitate and encourage evasion in all our recommendations on the system, rationalisation of the structure and simplification of the procedure. We shall now deal in this chapter with the other aspect *viz.* evasion, as it is practised, the modes of evasion, the *modus operandi* adopted for evasion, methods to check evasion and the machinery employed.

10.02 *Avoidance of tax.*—Avoidance of tax is no evasion. A distinction between the two is aptly drawn by the Taxation Inquiry Commission (1953-54) in the following terms :—

“ Leakage in revenue may occur either through the deliberate distortion of facts relating to an assessment after the liability has been incurred or by so arranging one's affairs before the liability is incurred as to prevent its occurrence or to reduce the incidence of tax within the frame work of the existing legislation. The former state of transaction is usually referred to as ‘evasion’ and the latter as ‘avoidance’. ‘Avoidance’ ordinarily arises from drafting defects in tax legislation. Both avoidance and evasion result in loss of revenue to Government but the former has a colour of legality about it ”.

The motive in both ‘avoidance’ and ‘evasion’ is to keep back payment, either by avoiding incurring of liability by seeking of loopholes in law in one case or by not making payment of tax by deliberate and active concealment or otherwise in the other. Both result in loss of revenue to the State. Both are definitely contrary to the spirit of law. The methods to deal with ‘avoidance’ and ‘evasion’ will, however, differ. Avoidance can be checked by plugging loopholes in the law while evasion can be prevented by simplification as far as possible which may reduce scope for evasion but if at all evasion occurs, by deterrent action against it.

We have come across certain instances of avoidance *viz.* consignment, works, contract etc. and have already dealt with these problems in earlier chapter. We have made a number of proposals such as simplification and precision in the language of definitions, rationalisation of the structure by removing price differentiation which should help to reduce scope for avoidance but we would again like to emphasise the need for greater precision and clarity in drafting various provisions in the Act as and when occasions arise in future. We also suggest that systematic study about the ways avoiding tax on account of loose drafting or loopholes should be undertaken and timely action should be taken, wherever possible, by removing the defects so as to reduce the loss of tax arising out of avoidance. While suggesting this, we also stress that no attempt should be made by assessing authorities to twist the provisions of law, as they exist or to twist the facts, if there is only legal avoidance, which in any case is permissible under the law.

10.03 *Causes of evasion.*—Evasion exists in any system of sales tax, although its extent may vary. It cannot be said that no evasion takes place under the present

system but there is no evidence of large scale evasion of tax. It cannot be denied, however, that assessment of extent of evasion should be made from time to time and adequate measures should be taken not only in the interest of State's revenue but also in the larger interest of honest tax-payers. In our opinion, incentive for evasion in sales tax, where the burden can be shifted, is less than for any direct tax where the assessee may actually profit by evading payment of tax. The main causes for evasion in sales tax are :—

- (a) too many exemptions or exemptions which are not clear, or are loosely drafted or are attended with conditions, observance of which cannot be verified;
- (b) price differentiation in rates of tax and such other conditions, which besides causing complications provide direct incentive to evasion ;
- (c) Direct evasion of tax in regard to smuggled goods and black market transactions ;
- (d) Incompetent or corrupt officials who either fail to detect evasion or facilitate evasion by collusion.

We have already made recommendations on removal of exemptions or conditions and removal of price differentiation which were responsible for evasion of tax in a large-number of cases.

The evil of parallel market and smuggling of goods leads to unaccounted cash transactions or deliberate omissions of certain transactions which result in loss of revenue to the customs, central excise, income tax or sales tax department. Usually, such departments do not pass on information to any other department until the departments starting the inquiry has established a case against the evador according to the provisions of the Act, it administers. We suggest that vigilance cell in all such departments should be established, arrangements should be made to quickly pass on the information to Special Vigilance Officer who should deal with information received from any other department and officers in charge of vigilance of all such departments in the State or in the region should meet frequently, exchange information and devise ways and means for concerted action.

Evasion is also often facilitated by lack of proper and detailed verification by Sales Tax Inspectors and further encouraged if verification made by Sales Tax Inspectors goes unchallenged on account of indifference or incompetence on the part of Sales Tax Officers. The position is worsened if the officials and the dealers are hard in glove and the officers higher-up do not set their foot down. We shall deal with these aspects further in the chapter on administration.

10.04 *Modes of corruption.*—Various methods are adopted by different classes of dealers for evasion of tax. Some of the known methods are as under :—

(i) Where conditions are laid down for exemptions of goods under tax-free schedule or for exemption under section 41, some dealers try to take shelter under such provisions knowing that the non-observance of conditions will not be detected.

(ii) Goods are brought from neighbouring states by public carrier without accounting for the receipt of goods in the stock registers or account books. Such transactions are taking place outside the record and are not entering into the books of accounts maintained by the dealers and are facilitated by evasion of octroi or malpractices at Octroi Nakas. Sometimes goods are brought from other centres by railway by self-endorsed railway receipts or by public carrier, without disclosing the detailed information about the consignor, consignee or the person taking delivery of the goods.

(iii) Sometimes the manufacturers do not maintain accounts of stock of raw materials, semi finished goods and finished goods and no stock balance is drawn at the end of the year. This facilitates sale of goods purchased on declaration, sale or purchase of which are not accounted for and the corresponding sales of finished goods are also not entered into the books of accounts.

(iv) Evasion is also practised by sales without bills or effecting delivery without showing the sales in the accounts books, where the goods are manufactured in the State but have a buying market in the other State where the incidence of tax is less.

(v) Sometimes sales are effected without bills by semi-wholesale sellers and retailers of luxury and taxable consumers' goods. There are provisions in the law making it obligatory for dealers to issue bills but keeping check over non-issue of bills is neglected and evasion occurs as a result of such practices which go unchecked.

We think that the *modus operandi* adopted by dealers from time to time should be studied by a special vigilance and research unit and effective measures should be evolved and employed to avoid evasion of tax. However, when actual evasion is noticed to have arisen out of practices adopted by any dealer, the machinery must ruthlessly act.

10.05 *Methods to check evasion.*—The department adopts various methods to curb the tendency of evasion of tax, to detect evasion and to take further measures. The main activities of the department in this connection are carried out on by the enforcement, vigilance and survey units. All these activities constitute at present the main bulk-work in fight against evasion.

10.06 *Enforcement.*—The machinery of enforcement is set in motion by complaints against dealers alleging suppression or evasion of tax. The method to deal with the complaints varies according to the types of complaints and nature of allegations disclosed.

It was strongly urged before us that complaints against the dealers which are anonymous should not be investigated at all, as mostly such complaints are inspired out of jealousy or mischief by rivals in the trade and are made to harass or to harm the reputation of a dealer.

We have considered the criticism carefully and have examined the nature of complaints and the result of such complaints received by the department. We find that all the complaints that are received by department are not investigated nor are they sent invariably for investigation to the Sales Tax Officers without discrimination or in a routine fashion. The Commissioner of Sales Tax or Deputy Commissioners of Sales Tax, receiving the complaints, are scrutinising them and are forwarding only such complaints to the Assistant Commissioners for investigation in which there are definite allegations or allegations made against a definite dealer and in which investigation might prove useful.

We do not agree to the suggestion that no action should be taken at all on any anonymous application. Though applications are anonymous in large number of cases, it is borne out by results that they provide creditable information and ultimately on the basis of such information suppression has been found in more than 75 per cent. of the complaints ordered for investigation. We, however, would agree that anonymous complaints should not be encouraged as a dependable source of information in all cases and there should be a positive approach to discourage anonymous applications. We suggest that it should be made widely known to the public that any person who possesses any information about malpractices adopted by a particular dealer or information which may lead to detection of evasion can approach the Public Relations Officer or an officer who may be designated for the purpose by the Commissioner, and discloses all the information in his possession without hesitation or without fear of his name being disclosed. An assurance should be publicly given that all such information disclosed before Public Relations officer or any other officer will be treated as secret ; that quick action will be taken on the information furnished, if such information is *prima facie* found reliable ; that the name of the person disclosing information shall not be disclosed if he so desires ; and that the result of inquiry will be made known to him. Anonymous complaints are to-day received as the persons possessing information have to assurance of their names being kept secret. After setting up arrangements for receipt of complaints for which secrecy will be maintained, the department will be in a position to discourage anonymous applications

altogether and to come to a stage when no anonymous complaint shall be entertained at all. So long as people do not develop courage and do not openly come forward and so long as the department also does not come forward with positive approach to willingly help persons who out of sense of public spirit want to co-operate with the department's, efforts to deal with evasion, any source of creditable information, may not be easily discarded.

We, therefore, recommend that only such complaints which are made against dealers by name or in which acts of suppression or specific malpractices are alleged or which disclose a certain racket or malpractices on large scale in a general way by dealers engaged in an area or in a class of business entertained and no other anonymous applications should be entertained at all. We also recommend that the department should adopt positive approach to discourage anonymous applications by setting up alternative machinery to receive and investigate complaints by name or the person. This will go a long way in inspiring confidence of the public in Government machinery and will also provide safeguard against the machinery to the misused or exploited by unscrupulous dealers who want to harm or harass honest dealers.

The method of investigation of complaints received should also vary according to the nature of allegations. The complaints which only mention that a registered dealer is avoiding tax without pointing specific malpractices, or it is alleged that a registered dealer has not maintained books of accounts properly, the enforcement officer should normally send such complaints to the assessing officer who may decide to take the assessment of such dealer on priority basis if circumstances so justify and without a separate inquiry should deal with the specific allegations at the time of the assessment of such dealer. If however, in a complaint, facts are alleged that an unregistered dealer is evading tax, by some specific method or in some specific cases, allegation in the complaint may be verified by spot visit and the nature of the business, commodities dealt with, the taxable and non-taxable commodities in which the dealer deals and such other facts may be recorded at the time of visit and if the dealer is not an importer, he may be called by the issue of notice to explain the allegations against him and such of the facts recorded at the time of spot visits which require explanation. After giving hearing to the dealer further action may be taken for production or seizure of books or for closing the complaints as the case may be. The investigation of all such complaints should be completed within a reasonable period of time, which should normally not exceed six months.

10.07 *Vigilance.*— It is considered vital to ensure that arrival and incoming of goods from outstations and despatches from this State to places outside the State are duly reflected in the accounts books of the dealers and that the trade does not move through unaccounted channels. With a view to ensuring this, the department has introduced a vigilance scheme for compiling intelligence, from different sources of entry into and despatched from the State of Gujarat. The main sources of collecting information are (a) external and (b) internal. The external sources comprise of railway stations, Octroi naka, Airport, sea-ports, custom naka, State transport offices, other private transport agencies and marketing yards. Internal sources are various offices of the Government from which information is collected. The information so collected and verified is utilised at the time of assessment to check evasion.

The vigilance measures have yielded good results and State Government has realised additional revenue of Rs. 4,73,483 during the year 1966-67 as will be seen in Table 33. The vigilance activity is of a continuous nature and the intelligence collected is utilised against the dealers only at the time of assessment and this is not a source of harassment to the dealers. On the contrary, we feel that co-operation of dealers and their associations in collection of useful intelligence from various sources will greatly strengthen the activities of the department which aim at dealing with dishonest practices which should also be the aim of honest tax payers and the association of dealers which seek to protect the interest of honest tax payers.

10.08 *Survey.*— Survey operations are carried out by the department in big cities, towns and developing urban and industrial areas systematically during each year at such time as is convenient according to local conditions. A shop to shop survey is carried out to find out the dealers, their nature of business, turnover and

such other particulars with a view to find out unregistered dealers who are liable to pay tax. The entries collected at the time of survey are cross-checked, scrutinised and are ledgerised so that they may be made use of for follow up action against the dealers concerned.

The results of survey for the year 1966-67 indicate that 11,075 entries were collected, resulting in detection of 523 unregistered dealers who were assessed and tax of Rs. 3.69 lakhs was collected from them.

We find that surveys have their own importance and help considerably in detecting cases of unregistered dealer's liability. The activities do not ordinarily cause harassment to dealers but sometimes co-operation is not forthcoming on account of misunderstanding or mistrust. We suggest that a programme for survey should be notified in advance and the dealers in the areas to be surveyed should know in advance the purpose and programme of survey. The associations of the dealers should also extend their co-operation in securing willing co-operation of the dealers in the areas to be surveyed. We also suggest that timely action should be taken after collecting information for ledgerising of entries, cross checks and follow up action.

10.99 *Machinery for enforcement, vigilance and survey.*— There are special enforcement units in all the cities with population above 1 lakh. At other places, enforcement work is attended by Sales Tax Officers who are entrusted with assessment or administrative work. As for collection of intelligence through various vigilance measures, vigilance inspectors are sanctioned whose job is to collect and ledgerise information and to carry out cross checks and such verification as may be directed by the Sales Tax Officers. There are no regular survey parties but the Assistant Commissioners of Sales Tax are organising survey parties from the normal staff for survey work to be conducted in such areas and at such time as may decide. We shall deal with details about the strength of machinery for enforcement, vigilance and survey and need for streamlining the working of these units in the chapter on Administration.

10.10 *Intelligence through various sources.*— We suggest a few steps which may be taken for improvement of information collected from various sources as under :—

(a) The co-operation from Railway authorities should be sought for collecting information of consignors, consignees and the persons who take delivery of the goods and also addresses of such persons. For this purposes, arrangements may be made in consultation with the railway department for maintenance of such bare information as may be made available from their existing records.

(b) Intelligence is collected through Octroi Nakas but such information hardly serve any purpose as in the case of evasion, even octroi is evaded and octroi sources does not provide useful information for detection of evasion. We suggest that co-operation of the Corporation and the Municipalities may be sought for concerted vigilance measures at Octroi nakas which may be found useful in the interest of revenues of the State and the local bodies.

In this connection suggestions have been made to us about setting up of check posts. The intention behind the establishment of check post is to prevent evasion by gathering details about the inter-state and intra-state movement of goods.

Such information can be usefully collected only if the movement of goods are made under regular way bills. Unless goods are moved under regular way bills and unless some regulations are made, the information may not be supplied or the information supply may not be reliable. We have considered all aspects of the proposal but we think that such check posts would not serve any useful purpose but may only provide a source for corruption and harassment to dealers. We think, on the other hand, that if details could be collected and passed on to the neighbouring state by exporting States about the dealers, good exported destination and the names of the purchases, such an arrangement arrived at between neighbouring States may be useful.

10.11 *Search and seizure.*—The law provides for powers to be exercised by enforcement officers for production and inspection of accounts and documents and search of premises and seizure. It was stated before us that provisions relating

to search and seizure of books give scope of harassment to dealers. The officers on any pretext, visit the business place of dealers at any hours. They also visit in a party which makes the show of a raid on a dealer's business place or premises. Inspections are carried out from morning to evening or sometimes after sunset hours. Some complaints have been made that no decency is observed in the manner of conducting inquiries and obnoxious queries are made to the dealers.

We have considered the criticism very carefully. We have examined the provisions in the Act and we do not think that the powers regarding search or seizure are excessive. There is no doubt, however, that the powers are very wide and have to be used with utmost caution and in such cases only where use of such powers become absolutely necessary. We find that adequate safeguards are provided in the rules and the instructions followed by the department. Powers of search and seizure are delegated only to senior and experienced officers in the department. The officer who carries out search or seizure has to record his reasons in writing for seizure of accounts, register or documents and is required to grant a receipt for the same. He is required to make a note or an inventory of any articles or things found in the course of seizure which in his opinion may be useful or relevant to any proceedings. The provisions of the code of criminal procedure relating to search apply as far as may be, to a search made under the provisions of Sales Tax Act. The Sales Tax Officer can retain the seized books for so long as may be necessary in connection with any proceeding. Ordinarily he shall not retain the seized materials for more than 21 days without recording his reasons in writing for so doing. If the books are required to be retained for a longer period, ordinarily the Assistant Commissioners of Sales Tax will authorise such retention for a period not exceeding six months and retention for any further period exceeding six months, an officer not below the rank of Deputy Commissioner of Sales Tax can authorise such retention for reasons to be recorded in writing. We think that these are sufficient safeguards against arbitrariness of the provisions and misuse of powers by the Officers. While, therefore, we recommend that such powers required to be continued in the interest of effective administration. With a view, however, to prevent harassment to dealers arising out of exercise of such powers by indiscreet officers, we suggest that the in following the procedure in conducting search and seizure due regard should be had to the safeguards as under :—

(a) Visits accompanied with search or seizure should be made by an officer not lower in rank than the Sales Tax Officer and who has been specifically delegated such power under the Act.

(b) Powers for search or seizure should be delegated to such officers only who on account of experience and proved ability are capable of exercising such powers in a sound and discreet manner.

(c) Visits should be so arranged that as far as possible atleast two officers simultaneously accompany.

(d) The empowered officer before carrying out search or seizure must have reasonable grounds, for believing that anything necessary for the purpose of recovery of tax may be found in any place within his jurisdiction; he must be of the opinion that such thing cannot be otherwise got without undue delay; he must record in writing the grounds of his belief; and he must specify in such writing so far as possible the thing for which search is to be made.

(e) Search should be carried out during business hours as far as possible and there should not be any show or advancement of a raid; search, seizure or any other enquiry should be conducted in a decorous manner; and provisions of the code of Criminal Procedure should apply as far as may be applicable under the provisions of the Sale Tax Law.

(f) The dealer must be invariably given a copy of the note or inventory made by the officer.

(g) Seizure of books of accounts should be made in respect of such books as are necessary as supported by reasons given and such books must be examined and returned as early as possible. If such books are required to be retained further, reasons for such retention should be given and while sanctioning further

retention, the sanctioning authority shall satisfy himself about the reasons for further retention. Any retention beyond a period of twelve months from the date of seizure shall be under the orders of the Commissioner only.

10.12 *Delay in disposal of seized cases.*— We have received complaints that the investigation and other proceedings in all the cases which have resulted into seizure of books take a very long time and the seized books of accounts are not returned to dealers for considerably long time after the seizure. We have examined the figures of disposal of seized cases and have also examined the break up of the yearwise pendency of cases in which books are seized and not returned. We find a lot of justification in the complaints of the dealers that the proceedings in the cases where books are seized are delayed considerably. We have already suggested check to be exercised for the retention of seized books. The officers authorised to permit further retention of books must be satisfied for further retention on strong grounds and should not allow retention as a matter of routine. They should also examine the progress made before further retention is sought and while granting further retention time, instructions should be given by higher officers to complete the investigation or further proceedings expeditiously.

We suggest that the present procedure of investigation should be substantially modified in order that the proceedings in the cases in which books are seized are finalised expeditiously. The Officers should not go for cross checking for a number of years at a time but cross checking of a special period of 6 months to 12 months may be directed to be taken and further checking may be taken only if found necessary. The officers themselves must carry out pre-checking in absence of the dealers with reference to the seized books of accounts and prepare detailed note giving points and items on which detailed checking will be done. A specific time limit should be given for completion of verification of cross checks. As soon as cross checks are sufficient to establish liability, notice for assessment should be issued and further liability may be established in course of assessment proceedings on the available material.

We suggest that all steps should be taken to complete the proceedings in such a way that the books can be returned within 12 months from the date of seizure in all cases as far as possible and for that purpose, if more staff is necessary at some places, assistance of additional staff may be considered to deal with the cases in arrears.

We believe that the enforcement methods need complete re-orientation in light of several suggestions made above and the department should place less and less dependence on the information received from anonymous sources and should not only depend upon the existing methods of vigilance and survey but should increasingly place reliance on new measures and sources of vigilance which may be explored by vigilance and research unit and on surveys which should be continuous, comprehensive and supported by selective surveys in trades where trends of evasion or diversion are revealed. We have recommended Director for Vigilance to be in the office of the Sales Tax Commissioner and we have also recommended setting up of a research unit and a close liaison between the vigilance cell and the research unit.

We have recommended a system with considerable simplicity in the stages of levying tax on various commodities, voluntary registration, annual return and simple manner of assessment for large number of dealer, and simplification in the procedure and we think that the assessment and enforcement with functioning in isolated manner should be replaced by a system of administration in which useful information and data collected in various ways by enforcement and vigilance units will be dovetailed with the day to day assessments and proceedings against the dealers. This will lessen the burden on the administration, remove hardship or unnecessary harassment to dealers and will assure effectiveness in the administration.



## CHAPTER ELEVEN

## ADMINISTRATION

11.01 *Administration.*— Administration is the vehicle to carry out the programme of the department, fulfilment of which depends largely upon the adequacy of the organisation, quality of the machinery, efficiency with which it works and the co-operation it evokes in the clientele it serves. It is said “no tax can be rendered popular by the good administration ; but few taxes can be rendered so unpopular by bad administration as the Sales Tax”. We have borne this in mind in various recommendations we have made on the system, on the rationalisation of the structure, simplification of the procedure and hardship to dealers, as we believe that how the various provisions of the Act will operate depends largely on the scheme and the structure evolved. At the same time speed and efficiency with which various tasks are carried out and the attitude and the manner in which the provisions of law are implemented are as much contributory factors as the scheme and frame-work of the Act, which lead to good administration. We are concerned in this chapter with these aspects of administration *viz.*, improvement in the quality of the administrative system and personnel.

11.02 *Organisational Pattern.*— A chart of organisational pattern of Sales Tax administration in the State is given as Annexure VII of the Questionnaire. The Commissioner, as head of the department, is the chief supervising and controlling authority.

The administration is decentralised and Deputy Commissioners are appointed incharge of each of three divisions in which the State is divided.

The Sales Tax Officers enjoy the pivotal position as assessing officers. There are one or more offices in each district ( except Dangs ) and one or more officers in each office for carrying out functions of assessment, collection, vigilance and enforcement and other administrative functions. The number of Sales Tax Offices is 48 and number of Sales Tax Officers is 158. Sales Tax Officers are assisted by Sales Tax Inspectors for verification at the time of assessment and for other work *viz.*, registration, returns recovery etc.

Between the Sales Tax Officers at the district level and Deputy Commissioners at the divisional level, there are Assistant Commissioners of Sales Tax, whose principal functions are administrative, appellate and inspectorial. There are six administrative ranges, each division having two ranges and each range is in charge of an Assistant Commissioner of Sales Tax. Each administrative Assistant Commissioner of Sales Tax has two or more districts in his charge except for Administrative Assistant Commissioner of Sales Tax, Range II, who, on account of the size and number of offices, is in charge of Ahmedabad City only. The Administrative Assistant Commissioners of Sales Tax, except Assistant Commissioner of Sales Tax, Range II, are entrusted with appellate and audit functions also. In addition, there are 5 functional appellate Assistant Commissioners of Sales Tax for hearing appeals only and 3 functional Assistant Commissioners of Sales Tax for audit work.

The divisions have been created from 1st September 1967. Previous to this, Assistant Commissioners were directly functioning under the Commissioner who was assisted by 3 Deputy Commissioners. After decentralisation, there is only one Deputy Commissioner in the office of the Commissioner. The pattern of organisation is arranged on proper lines and we think that with the appointment of Deputy Commissioners who are delegated most of the powers of the Commissioner under the Sales Tax Act, the administration will cater the needs of dealers at lowest levels and will result in speedier disposal.

11.03 *Changes in the set up in Commissioner's office.*— We have examined the administrative set up and strength of the department at various levels. We do not envisage any change in the divisional set up in near future. We, however, suggest that in view of the increasing responsibilities of the Commissioner under the Sales

Tax Act and the increasing work-load in his office, the Commissioner should be assisted at least by two officers of the rank of Deputy Commissioner, one of whom may look after administration and the other may attend to legal side.

There are four Government Agents in the Court Branch of the Commissioner's office, two of the rank of Assistant Commissioners and two of the rank of Sales Tax Officers. As Government Agents have to defend the orders passed by the Assistant Commissioners before the Sales Tax Tribunal, we think that all Government Agents should be officers of the rank of Assistant Commissioners.

The Sales Tax Department is an expanding Department revenues from sales tax forming the major sources of State revenue. The Sales Tax Commissioner has to discharge a very heavy responsibility and we suggest that the post of Commissioner of Sales Tax should be up-graded like the post of Commissioner of Industries or the Development Commissioner and should be held by an officer in the super time scale of the Indian Administrative Service.

11.04 *Organisation at the range level.*— We find that the present ranges of the Assistant Commissioners are unequal in size and are not constituted on any sound criteria.

We think that there is need to reorganise the existing ranges on the basis of the number of offices, number of officers, audit and inspectorial work arising out of the number of dealers to be managed, nearness of districts from the headquarters and convenience of communications from the point of view of the administration and the dealers. So far as city of Ahmedabad is concerned, it is already a heavy range. With the growing population and expansion of industry and commerce, city of Ahmedabad is going to remain mainstay of revenue from Sales Tax. We suggest that there should be two Assistant Commissioners for Ahmedabad city alone and there should be functional divisions of work, one Assistant Commissioner to look after registration, returns and enforcement and the other to look after functions of assessments and collections only.

We have given thought in this connection to the question of separation of functions at the level of Assistant Commissioners for appeal, audit, enforcement and vigilance work. We have already recommended separation of appellate Assistant Commissioners from Administrative Assistant Commissioners. The appellate Assistant Commissioners shall be exclusively in charge of appeals. We do not however consider it necessary to have separate functional Assistant Commissioners for other functions. Assistant Commissioners in charge of administration of ranges cannot function effectively if they are divorced of functions of audit, enforcement and vigilance which are integral to their functions of supervision, inspection and general control. We have suggested reorganisation of the territorial ranges of the Assistant Commissioner in order to remove the present unevenness of charges. We suggest that except the functions of appeal, no other functions should be separated and in reorganisation of territorial ranges, regard should be had to functions of audit, enforcement and vigilance work alongwith supervision, inspection and general control and the ranges should be so formed that the Assistant Commissioners in charge of each range is capable of functioning effectively in respect of all these various administrative functions. We have considered in this connection the functions performed by Assistant Commissioners (Audit). We have considered the need for strengthening the audit in subsequent paragraphs but we do not think that separate functional Assistant Commissioners for audit are necessary and we do not see place for separate functional Assistant Commissioners for audit in future reorganisation of ranges.

11.05 *Reorganisation at the level of Sales Tax Officers.*— We find that at the level of Sales Tax Officers, the units have been created from time to time on ad-hoc basis. Although Sales Tax Officers' offices are generally opened in places which are important from the point of view of commerce and industry and tax potential, there are places with population more than 50,000 which have no Sales Tax Offices. We suggest that the charges should be redistributed so as to provide direct service to dealers by locating Sales Tax Offices in a town with population exceeding 50,000.

We suggest the Sales Tax Offices should be located in the district headquarters in every district (except Dangs and Gandhinagar). We are told that Sales Tax Offices are not located in Mehsana and Himatnagar, which are district Headquarters for lack of building accommodation. We do not think this to be an insurmountable difficulty and suggest that steps should be taken to locate Sales Tax Officer's offices at the district Headquarters for the convenience of the local dealers and the dealers of the district.

We suggest that for administrative convenience, jurisdiction of Sales Tax Officers should be co-terminous with revenue districts. We find that Kalol and Kadi Talukas of Mehsana District are in charge of Sales Tax Officers for Ahmedabad District. We think it will be advantageous to remove this anomaly and make charges of Sales Tax Officers co-terminous with revenue districts.

We suggest that on the basis of experience, administrative feasibility and need for catering the needs of the dealers, norms can be laid down for a viable unit of Sales Tax Officer's office and such norms should be followed in sanctioning new units in future. We have considered in this connection the advantages and disadvantages of functional and territorial units for the Sales Tax Officers. We do not think that any hard and fast rules should be followed in this matter. There are functional units like registration and returns, recovery and enforcement in Ahmedabad City. We suggest that as a measure of future reorganisation, functional units on the lines of Ahmedabad City may be considered for Cities with population with more than two lakhs only, where separation of functional units is found administratively convenient. We also suggest that where there are no separate functional units of Sales Tax Officers, the work of administration, enforcement and assessment may continue to be distributed according to the administrative convenience as at present.

We have already suggested considerable simplification in the procedure and have recommended scheme of annual return and simple manner of assessment for a large number of dealers. We have also suggested measures which would not only avoid double verification but will reduce verification work considerably. We think that all these measures will dispense with the necessity of increasing the staff of inspectors and officers for every rise or increase in the number of dealers. We think that considerable simplification suggested by us will lead to economy in administration and it will be possible for the administration to concentrate more on revenue yielding cases or enforcement and vigilance measures and tightening the administration in all directions.

A chart of organisational pattern emerging from various recommendations made by us above is given as Appendix O.

**11.06 Inspection**— In any Government department, it is usual for a superior officer at every level to inspect the offices of his subordinates. Inspections are however, of routine nature. The usual practice noticed is that an inspecting officer sends his inspecting unit in advance to fill in the questionnaire and prepare certain other details for inspection and the inspecting officer pays a visit for reading the inspection memo. The system of routine inspections requires to be radically changed in a department like Sales Tax.

We suggest that inspections should really work as a control mechanism. During inspection of Sales Tax Offices, the inspecting officer should particularly examine delays in registration and documents, delays in assessments, errors in assessment orders, delays in refunds, exercise of discretionary powers, steps taken for collection of tax, measures taken for enforcement and vigilance and follow up action and such other matters where working of the subordinate offices can be exposed to searching scrutiny.

The inspection should also be broadly confined to organisation and method for streamlining the procedure and for smooth and efficient working in the offices. We also suggest that the inspections should be constructive where not only errors are pointed out but suggestions are also made for removal of errors and improvement in procedure and practices so as to eliminate chances of error in future. The inspecting officer should be a friend, philosopher and guide, who, besides checking delays and errors in performance, will provide guidance and inspiration to subordinate officers in increasing their efficiency and for promotion of better discipline.

11.07 *Departmental audit*—There are two types of audit in the Sales Tax Department, one by the Accountant General and the other by the officers of the Sales Tax Department who do concurrent audit. We shall deal with the Accountant General's audit separately, as its scope and purpose are entirely different. Although there are 3 Assistant Commissioners exclusively for audit work in addition to audit done by Assistant Commissioners in charge of administrative ranges and although detailed instructions for audit exist, we find that the audit done at present requires to be improved both in coverage and compliance.

We have examined the number of cases audited by the officers of the departments and have noticed that the percentage of the number of cases audited in each range is not uniform. On an average, not more than 5 per cent of the cases are taken in full audit by all the departmental agencies for audit. We suggest that not less than 10 per cent of the cases in each office of the assessing officer should be audited fully by the departmental agency concurrently every month and strengthening of the machinery should be considered from time to time so that the coverage of the cases to be taken in full audit does not fall below 10 per cent at any time.

The quality of audit should be improved so that it becomes more purposeful constructive and guiding to the officers. In order to achieve this, audit should be done by officers who are senior in rank than those whose cases are being audited.

Audit reviews should be systematically prepared to prevent recurrence of errors committed by assessing officers and noted by audit.

We would like to emphasise that audit is one of the regular functions of the Assistant Commissioners in charge of administrative ranges and we do not favour separate functional Assistant Commissioners for audit. If the present administrative ranges are required to be made smaller, in order to ensure performance of all the functions including audit efficiently and effectively, reorganisation of the administrative ranges may be considered.

11.08 *Audits by Accountant General*—The audit of Sales Tax receipts and refunds is conducted by the Accountant General. The scope of Accountant General's audit is to see that adequate regulations and procedures have been framed by the Sales Tax Department, to secure an effective check on assessments, collections and proper allocation of Sales Tax and to satisfy that such regulations and procedures are actually being carried out. It is not intended that the audit department should in any way, substitute itself for the revenue authorities in the performance of their statutory duties. But audit should satisfy itself in general that the departmental machinery is sufficiently safe-guarded against error and fraud, that so far as can be judged, the procedure is calculated to give effect to the requirements of the law.

We have received criticism against Accountant General's audit from the dealers, Sales Tax Practitioner's Associations and from the officers of the Sales Tax Department. It was vehemently stated that the auditors were going beyond the scope and were raising queries and audit points on matters which were within the discretion and exercise of powers by Sales Tax Officers acting as quasi-judicial authorities. It was also stated that the audit parties visited the offices frequently, held long camps, called for multifarious records and details and encroached on the normal duties of the Sales Tax Officers so that the work of the office was paralysed for several weeks. It was also stated that the audit by Accountant General was neither fruitful nor served any useful purpose. It was further pointed out that the auditors did not possess sufficient knowledge of the provisions of the Act and the rules and the upto-date case law and had no insight into intricate matters of law and accounts and the Sales Tax Officers had to educate them on many matters with the result that there was loss of valuable time and effort on both sides. It was stated to us that audit by Accountant General should be dispensed with altogether.

We have taken into account all the criticism and carefully considered various suggestions made to us. We have also considered the view of the Accountant General. The mandate of Accountant General's audit, according to him, flows from the constitutional responsibilities of the Comptroller and Auditor General of India under Article 149

of the Constitution of India. Further under Article 151 of the Constitution, he has to submit audit report on the accounts of the State to the State Legislature. While we do not dispute the constitutional responsibility of the Comptroller and Auditor General of India, we do not think that audit of Sales Tax receipts on that account becomes a part of normal functions of the Accountant General. We understand that the State has accepted Accountant General's audit for Sales Tax receipts and refunds for a limited object and scope. However in practice the Accountant General's audit has resulted into detailed audit as a duplication of internal audit by the department. We have recommended strengthening of concurrent departmental audit so as to ensure concurrent audit of assessment orders passed by the assessing officers. In view of this, the Accountant General's audit, in our opinion, should be confined to a broad angle of seeing that adequate regulations and procedures have been framed by the Sales Tax Department to secure effective check on assessments, collections and proper allocation of Sales Tax and satisfy itself broadly that such regulations and such procedures are actually being carried out. It should not be necessary for the Accountant General to examine cases in details to point out errors in calculations or in the use of discretion or exercise of powers of Sales Tax Officers. We have examined the results of audit from the audit reports as summarised in Table 37. It is seen that large number of cases were called for, of which a smaller number was examined but the audit objections were found in very few cases and the number of cases in which audit was accepted were still fewer. We think that the concurrent audit by the department would yield better results and would serve a better check on the assessment orders passed. We have recommended strengthening of departmental audit and we suggest that Accountant General's audit should be withdrawn.

11.09 *Machinery for enforcement.*—The working of the Enforcement Branch consists of investigation of the complaints, spot visits, investigation without seizure of books of accounts in cases where discrepancies detected are not very serious, seizure and investigation of books of accounts and other material in cases involving suppression of accounts or discrepancies of a serious nature, assessments after estimation of sales and purchases by the best judgment of the officers, penal action against dealers and release of books to dealers after all proceedings are over.

The officers working in the enforcement side have to undertake detailed scrutiny of points under investigation and have to verify closely the aspects of probable evasion adopted by the dealers. They have to collect necessary materials from all possible sources to establish specific evasion. For this purpose, they have to cross check various transactions from the books of accounts of other dealers with whom the former dealer had dealings. The work is of arduous nature, exposes the officers sometimes to personal risk or to unwarranted allegations and calls for initiative, *resourcefulness* and insight on the part of the officers to deal with the types of evasion which are at times of complicated nature.

Special units for enforcement have been created in cities with population above one lakh. At other places, the Sales Tax Officers in charge of administration and assessment are also looking after enforcement work.

We think that the present set up in the cities is not adequate. A large number of enforcement cases are pending and books are not returned over number of years. We suggest some special units to be sanctioned or present units to be reconstituted for disposal of old cases and suggest that the charges of enforcement units are so organised that all the stages of investigation, assessment, penal actions etc. are completed within one year in each case. We do not favour separation of enforcement offices at all places but enforcement work may be separated wherever the amount of work is justified on a permanent basis. We would like to emphasise that enforcement activities should not be confined to investigation of complaints only but should be completely re-oriented so as to have a complete dovetailing and liaison with assessing units, survey units and vigilance sources so that the enforcement may prove most effective.

The officers to be appointed in enforcement units should be selected on the basis of their experience, aptitude, and special flair and insight into the type of work. We suggest that looking to the special and arduous nature of duties, officers working in the enforcement units should receive special pay.

11.10 *Survey*.— Survey operations are carried out in big cities, towns and developing industrial areas by shop to shop inquiries and detecting unregistered dealers. Survey has been a fruitful source for detecting liability and brings good revenue to the State.

There is no separate machinery for survey. Survey parties are organised under directions of the Assistant Commissioners in charge of administrative ranges and survey operations are carried out during convenient months in a year according to local conditions.

In view of our recommendations of higher turnover limit for small manufacturers, artisans and craftsmen and special establishments and the facilities accorded by way of annual return and annual assessments for large number of dealers, more attention should be paid to survey to dig out dealers who do not get themselves registered even on reaching limit for liability and registration. The survey will also reveal cases of marginal dealers who may reach the limit of liability in course of time. The follow up work viz. ledgerising of entries and cross checks is equally important. We think that special survey units in big cities will go a great way in making the survey continuous, comprehensive and more effective and fruitful.

11.11 *Vigilance*.— We have already discussed the vigilance activities which comprise of collection of intelligence from diverse sources. Vigilance inspectors have been sanctioned exclusively for collection of intelligence, compilation and follow up work. Stricter supervision over the working of these inspectors seems to be necessary. We do not envisage separate units for vigilance work only but the need for co-ordination of vigilance activities has to be emphasised. We have recommended research cell to be established in the office of the Commissioner or in the Finance Department which will yield closer collaboration for collection, analysis and study of data collected by vigilance and statistical branches. We suggest therefore the need of appointing a Director of Vigilance of the rank of Assistant Commissioner of Sales Tax in the office of the Commissioner who should be in charge of vigilance and the statistical cell and should work as a liaison between the vigilance and statistical branch on one hand and the research unit on the other. A Director of this status will be in a position to give technical advice and guidance regarding methods of examination of accounts, types of suppressions noticed, modes of evasion adopted and various other matters which would provide a check on evasion and corruptive practices in the department.

11.12 *Recoveries*.— We have examined the progress of recoveries and taxes in arrears earlier. We have observed that steps have to be taken for clearance of arrears in order to keep the arrears in check. The Sales Tax Officers have powers to effect recoveries by special mode of recovery. Recoveries against defaulters are made as recovery of land revenue arrears and recovery certificates are issued by the Sales Tax Officers to the Collectors for effecting recovery as arrears under the Land Revenue Code. Regular quarterly meetings are held in the ranges to watch the recovery work and co-ordination exists between the Sales Tax Department and the Collectors.

An officer of the rank of Deputy Collector is working in the office of the Commissioner of Sales Tax as Special Deputy Collector for recoveries. Special Officers for recovery either of the rank of Mamlatdars, Circle officers or Aval-karkuns are appointed in the districts for recovery of Sales Tax dues and the Special Deputy Collector for recoveries besides watching their work and giving instructions from time to time, pursues heavy cases of recovery with the Special Recovery Officers.

We think that although good deal of co-ordination exists, recovery machinery requires to be geared up and tightened. In view of the expansion of the department, growing number of assessments and consequent rise in the demand raised, it becomes necessary to closely watch and pursue the work of Special Recovery Officers. We suggest the need for appointment of an officer of Mamlatdar's rank in the office of each of the Deputy Commissioners in charge of divisions. Special Deputy Collector for recoveries would be relieved to that extent of heavy touring in every part of the State and he will be in a position to supervise and co-ordinate the work in a more efficient manner.

11.13 *Collection of statistics*.— Statistics are a vital instrument of administrative control and policy making and need for properly compiled and interpreted data in a department like Sales Tax cannot be over emphasised.

A statistical cell was created in the office of the Commissioner of Sales Tax in the year 1965. A statistical Officer of gazetted rank is in charge of the Cell. The main functions of this cell are to collect and compile data, to conduct sample surveys, to compile and furnish information, per sue into periodical returns and to assist the Bureau of Economics and Statistics in conducting annual Sales Tax census.

We find that not only the cell is required to be strengthened for better and timely collection and compilation of data but also a great deal of improvement is necessary in the method of collection of data.

We find that improvement is necessary at the primary reporting source i. e. in the offices of Sales Tax Officers and at the processing source viz. the Bureau of Economics and Statistics. We have noticed that speed of collection of data at the primary source has a limitation because of the procedure followed in obtaining the information from the final returns of registered dealers. It is true that if the data as originally filed by the dealers is accepted, some refinement is lost in the sense that survey data will not reflect the correct figures of turnover or collection of tax as finalised after assessment. At the same time valuable time will be saved if the original returns are accepted as the source. We suggest that a speedier method may be explored even at the cost of a little refinement. We also suggest the need for revising the schedules so as to minimize the commodities for turnover data without loosing the utility. We also suggest that compilation and tabulation of data in the Bureau should also be expedited by use of Computers.

We suggest for closer and frequent co-ordination between the Sales Tax Department and the Bureau of Economics and Statistics for ensuring speed in the back process accuracy in collection and compilation and reviewing the survey tables according to the requirements from time to time.

11-14 *Research Unit*.—Lack of collection and compilation of data which may be useful in considering tax proposals at the time of annual budgets and data which may serve as an instrument of administrative control is a handicap for a growing taxation department like sales tax. A machinery for continuous collection of various data and their interpretation is already emphasised. Even where data is collected, it is not analysed and interpreted as no machinery with experts to interpret such data exists. We, therefore, suggest that a permanent Research Unit may be set up in the office of the Commissioner of Sales Tax or in the Finance Department with a view to remove this handicap.

We have already observed that no detailed studies exist regarding distributive trade, commoditywise collection, tax burden on different classes or traders and consumers and combined incidence of all taxes on commodities as well as "formal" or "effective" incidence.

A Research Unit on the lines proposed by us may take up studies of the above problems on hand from time to time. It can also study problems of the following nature, viz. :—

(1) *Evasion*.—Estimates of production of important agricultural commodities may be collected and after making allowances for seed and wastage, non-monetised consumption etc. may be compared with actual turnover assessed in order to estimate extent of evasion.

(2) *Modus-operandi of evasion*.—Case studies may be undertaken of typical cases of suppression, concealment of tax and types of irregular or suppressed accounts to discover *modus operandi* adopted for evasion of tax.

(3) *Diversion of trade*.—Data should be collected and studies as to in what commodities and classes of trade the diversion takes place and reasons may be explored.

(4) *Organisation of trade*.—Studies may be undertaken for organisation of trade in different commodities and in different districts or in areas in order to locate onconvenient points for sales tax levy.



(5) *Incidence of taxation.*—Data may be collected and analysed to study shifting of tax burden. If the burden *i. e.* reduction in real income of the consumer or the producer can be assessed, it may become easy to take decision regarding changes in the rates of tax *i. e.* incidence in a more scientific manner.

(6) *Rates of tax.*—A study of price spread in different categories of commodities between manufacturers, wholesalers, semiwhole-salers, registered and unregistered dealers may be undertaken to determine margin of profit, which it may become easy to mop off, by imposing higher rates of tax.

11.15 *Quality of personnel.*—Having discussed various measures for improvement in the quality of administrative system, we now propose to consider the term of reference pertaining to improvement in the quality of the administrative personnel.

The work falling on the Sales Tax Officers has considerably increased in recent years and the expansion of the department has resulted in depletion of strength of experienced personnel in the service at all levels. Establishing a sound structure of administration depends upon quality of its personnel and the immediate task is to achieve high standards of efficiency and integrity in the department.

Efficiency depends upon a number of factors starting from recruitment to conditions of service including training and all measures to raise individual and collective efficiency.

11.16 *Recruitment.*—Recruitment is the first step in the employment programme and correct recruitment policy plays a great part in imparting strength and efficiency to the cadres. We have examined the rules of recruitment and promotions of all levels of the personnel in the department.

We find that according to existing rules, the post of Deputy Commissioner is filled by promotion of a suitable Assistant Commissioner of Sales Tax who has worked for not less than 3 years as such. Appointment to the post of Assistant Commissioner of Sales Tax is made by promotion from the cadre of Sales Tax Officers. According to the recruitment rules of the Sales Tax Officers, the post of a Sales Tax Officer is filled by promotion of a suitable Sales Tax Inspector or by direct selection of a candidate who holds a first or second class degree, preference being given to chartered or Incorporated or Registered Accountant. The ratio of direct recruitment to promotion is 50:50. Appointment to the post of a Sales Tax Inspector is made by nomination of a person possessing University degree, preference being given to Commerce graduate and by promotion from suitable clerks in the Sales Tax Department in the ratio of 60:40.

Although there exist rules for recruitment and for promotions at all levels, which appear to be satisfactory, we find that there is no advance planning for recruiting candidates in each cadre at stated intervals with the result that with simultaneous promotions or direct recruitment of large number of personnel in a cadre, sometimes gap and dislocation are caused. We also find that the best talent is not attracted on the posts of Sales Tax Inspectors who largely feed the cadre of Sales Tax Officers. The method of recruitment to attract open market candidates may be considered. We find that there is dissatisfaction about the recruitment of clerks under the Central Recruitment Scheme as clerks with experience in the Sales Tax Department are appointed in other departments, clerks with no background of Sales Tax are appointed in the offices of the Sales Tax Department and appointments are not quickly made with the result that vacancies remain unfilled for a long time or vacancies are temporarily filled by temporary recruits who are replaced by recruits under Central Recruitment Scheme sometime, after 3 or 4 years of service. The utility of the Central Recruitment Scheme requires to be independently examined.

11.17 *Pay scales.*—According to Prof. Kaldor, "An efficient administration requires ability of the department to attract the best talent and to attract them in adequate numbers. This in turn is very greatly a matter of the conditions of pay and prospects of the service."



The Gujarat State Sales Tax Officers' Association, the Gujarat State Sales Tax (Class three non-gazetted) Staff Union and the non-gazetted Class IV unions while making suggestions for improvement in administrative personnel, voiced their grievance about inadequacy of pay scales and conditions, which they urged, should be fixed with due regard to the difficult nature and conditions of their work. We do not enter into the details of pay scales as the question of examining the existing structure of scales of pay of various cadres and posts (including those in the Sales Tax Department) and also suggesting a revision with a view to ensure reasonable remuneration was a specific term of reference of the Gujarat Pay Commission 1968, whose recommendations are under consideration of the Government. We, therefore, refrain from making any suggestions or observations at this stage.

11.18 *Seniority and confirmation.*—There is a discontent amongst the personnel of Sales Tax Department as final seniority after reorganisation has not been fixed and promotions on the basis of tentative seniority have been a source of dissatisfaction. It is also a general complaint that confirmations have not been made in respect of a large number of personnel who have been working in the cadre for more than 3 years. We think that these grievances need to be looked into quickly and sympathetically.

11.19 *Housing facilities.*—We do not propose to go into other conditions of service such as special pays and allowances as these are also matters which fall within the purview of Gujarat Pay Commission 1968. We would like to mention however the difficulties of residential accommodation for officers and non-gazetted staff of the Sales Tax Department in the cities and towns. Sales Tax Officers and Sales Tax Inspectors experience great hardship on transfer, as no Government accommodation is available in the places to which they are transferred and rent of private building is sometimes so high that even the extra house rent allowances are not enough to cover the amount of rent paid beyond 10 per cent of their salaries. We particularly press this point in case of Sales Tax Officers and Sales Tax Inspectors who, for want of Government accommodation, are led to incur obligation of private citizens who happen to be tax payers and independence of officials in the department is greatly impaired. We, therefore, suggest that special consideration should be made in allotment of Government accommodation to the personnel in the Sales Tax department and if no adequate Government accommodation is available, the Government should allot funds for construction of residential quarters for employees in the Sales Tax Department.

11.20 *Training.*—Training is an integral part of the administration. It is an essential input that not only develops the resources of the individuals but helps the organisation to grow in the light of changing conditions.

With the expansion of the department at a faster rate in recent years and consequent new recruitment and promotions on a comparatively larger scale, need for a comprehensive training programme for the Sales Tax Department has become inevitable.

A Training School was started in January 1965 to impart inservice training to personnel in the department upto the level of Sales Tax Officers. The Deputy Commissioner (Headquarters) is the ex-officio Principal of the school and there are two officers of the rank of Sales Tax Officers, working as lecturers, one of whom is also the Registrar of the school. The school has imparted training so far to 20 officers as against 158, 154 Sales Tax Inspectors as against 782 and 162 clerks as against 728 clerks in the department. This indicates that the turnout of the training is not satisfactory.

We think that the training facilities are very inadequate and training programme requires to be improved in both content and coverage. Output of trainees has to be stepped up to make up a wide gap of untrained personnel in the department. We suggest that the following measures may be considered for improvement in the training programme :—

- (1) There should be a full time Principal for the training school, who should be an officer of the rank of Assistant Commissioner.

(2) The Principal should be assisted by atleast three full time lecturers, who should be senior experienced Sales Tax Officers with goods academic record and a bias for training.

(3) The training school should be housed in a suitable building having proper environment for education and training and hostel facilities for the trainees who mostly come from outside, should be provided in or near the premises of the School.

(4) Adequate grants should be sanctioned for purchase of books in the library, subscribing journals and for other activities and also for other facilities and amenities in and outside the class room, during the training period.

We suggest that besides inservice training, pre service training should also be arranged in the school for candidates who are directly recruited in the service. The inservice training should be made more comprehensive and should have a practical bias. The pre-service training on the other hand should be more detailed and stress should be laid on theoritical study of Sales Tax Act, Rules, procedures and other administrative matters. We suggest the need of including the subject of Public Finance and Taxation and Study of comparative tax systems and Taxation Laws in the training programme of the Sales Tax Officers.

11.21 *Corruption.*—It is difficult to judge the magnitude of corruption in the department, although it cannot be denied that corruption does not exist. A tax administration has no doubt to provide safe guards both preventive and punitive. The expansion of the functions of assessments and collections in recent years, multiplicity of administrative processes which touch a vast multitude of dealers and administrative power and discretion vested in large number of officers has thrown up problems of harassment, mal-practices and corruption in the department or at least have brought them in focus of public attention.

It is said, "the greater the degree of discretion granted, the size or number of Governmental authorities and the number of individual cases being dealt with, the more likely it is that the incidence of mistakes will increase and the less likely that they will be discovered." The Committee on Prevention of corruption ( "Santhnam Committee" ) has made several recommendations on prevention of corruption. One of the pertinent recommendations is that, "discretionary powers are exercised by different categories of Government servants all of whom are not endowed with a high sense of dedication and integrity in equal measure, while it would not be possible to completely eliminate discretion, it should be possible to devise a system of administration which would reduce to the miniumm, even if there is a seeming loss of perfection, the need for exercise of personal discretion consistently with efficiency and speedy disposal of public business. Various methods of control devised in the more advanced countries should be studied and a suitable system of control should be devised keeping in view the difficulties that may arise on account of the vastness of our country and the basic principles which are enshrined in our constitution and jurisprudence."

This is the crux of the recommendations and the department should study from time to time the exercise of discretionary powers at various levels and suitable checks provided to prevent the exercise of powers from becoming arbitrary or being abused. Another malady is the delay in administration, delay in assessment, applications for registration and cancellation or grant of documents, delay in refunds, are all sources of corrupt practices if delays are not checked. We have recommended statutory time limit on the completion of assessments and on the grant of refunds. Besides expediting assessment and claims of refunds, this will plug a loophole for mischief on the part of dishonest officers. We have also suggested simplification of the procedure as complicated procedures also provide a fruitful ground for corruption.

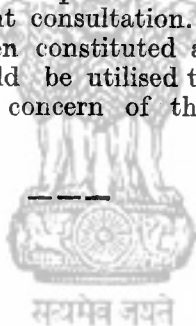
We suggest that the problem may be tackled vigorously on both the fronts viz. to prevent chances for corruption by various measures suggested above on one hand and by punitive action without mercy against those who are corrupt. It should be impressed that the Department is firm in taking action against those who are corrupt.

11.22 *Weeding out of unsuitable personnel.*—We have already observed that evasion of tax is facilitated by incompetence of officials at the levels of Sales Tax Inspectors and Sales Tax Officers. In order to maintain efficiency and integrity in these cards of services, it is necessary that personnel who do not acquit themselves creditably or whose integrity is not above board should be weeded out or reverted as the case may be.

It follows as a corollary that to prevent a repeated process of weeding out, it will be useful to watch periodical reports of working of the officials for a period of two years after nomination or promotion in addition to the annual confidential report so as to avoid continuance of unsuitable persons right from the earliest stage.

It also follows that while unsuitable persons should be weeded out, persons with outstanding merit should be rewarded. We find that the scheme of advance increments is not availed of in suitable cases. We further suggest scheme of group incentives for outstanding work done or outstanding performance in the field of assessments, recoveries, detection of suppressed tax etc. by a unit of Sales Tax Officers assisted by his inspectors whose combined efforts have contributed to any such outstanding achievement.

11.23 *Welfare of employees.*—The concern of the Government for the welfare of its employees is directly calculated to improve the morale of the personnel in the department and this by no means is a less important aspect. With the object of promoting harmonious relations and securing the greatest measure of co-operation between the Government and its employees in matters of common concern and increasing the efficiency of the personnel in the department, Government has established a machinery for joint consultation. A departmental council for the Sales Tax Department has been constituted and we wish to emphasise that the machinery of the council should be utilised to establish better relations and to consider questions of common concern of the department and its employees.



## CHAPTER TWELVE

## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

## CHAPTER THREE

*Economic and Fiscal Pattern*

1. We hope that the State Government will place its view point on various matters affecting the terms of reference before the Commission, as the revenue resources of the State will depend materially on the receipts that will be available to the State on the recommendation made by the Commission. ( para 3.16 ).

2. So far as State's resources are concerned, we believe that more resources should be conserved and found from current revenues at the existing rates of State taxes, by special drives for collection of arrears of taxes, economy in current expenditure, economy in execution of plan schemes, higher returns from productive schemes and on capital expenditure incurred and such other measures. ( para 3.21 ).

3. We think that even with all these, recourse will have to be taken to additional taxation but looking to the level of sales taxation at present, mobilisation of resources should be so planned that the additional taxes are collected compatible with the burden which the economy can bear. ( para 3.21 ).

## CHAPTER FOUR

*Working of the present system*

4. We have to observe that changes in the Law since the formation of the Gujarat State have been too many and have been made too frequently. ( para 4.04 )

5. We believe that a practice of incorporating taxation proposals in Annual Financial Acts and embodying procedural amendments into separate Bills will go a great way in making the tax effect on classes of goods or classes of dealers clearly known to the dealers concerned. ( para 4.04 ).

6. The proposals laid before the House should be well thought out and should not be subject to reconsideration soon after the passing of the amendments on grounds of inconvenience to trade or industry or possible effects of diversion which have to be anticipated before formulating the proposals. ( para 4.04 ).

7. We are conscious of the fact that sometimes such concepts are settled and law laid down in such matters by judicial interpretation and precedents. We are also aware of the need for amendments in the provisions of the Act arising out of lacuna pointed out by courts of law. Occasions for such amendments should, however, be few and can be avoided by timely action by the department as soon as difficulties are confronted and also by devoting care and precision to initial drafting. ( para 4.04. ).

8. Need for logical arrangement of provisions, avoidance of conflicting provisions and clarity and lack of ambiguity in language in taxation legislation like Sales Tax cannot be over emphasised. ( para 4.04 ).

9. Our attention has been particularly drawn to the rules regarding draw back, set-off and refund which need substantial simplification in language and expression. We believe that either the rules should be dispensed with or being provisions of a substantive nature should find place in the Act and not be left to be provided in the Rules. ( para 4.04 ).

10. A system of sales tax has to be rational and equitable. With growing complexities in the pattern of trade and industry and increasing multitude of dealers of varying size and status, an absolutely simple system, which can take care of equity between all classes of dealers and at the same time serve the objectives of revenue requirements of the State and checking of evasion, is almost inconceivable. ( para 4.05 ).

11. We do not, however, underestimate the need for substantial simplification by way of rationalisation of the structure, simplification of the procedure and removal of certain distortions which have crept into the system. ( para 4.05 ).

12. A system designed to avoid double taxation has to provide for relief against double taxation, which sometimes cannot be avoided by normal operation of certain provisions. ( para 4.05 ).

13. We believe that procedure should be simple, language of the documents should be unambiguous and intelligible to dealers, conditions should be capable of being fulfilled without hardship or hindrance in normal course of trade and nature of proof demanded should be reasonable, needed for satisfaction of the decision-taking authorities. ( para 4.06 ).

14. We should stress the need for eliminating all such features which make tax compliance burdensome and complicated. We wish to emphasise that smooth and efficient working should not be retarded by rigid interpretation, inflexible approach and lack of understanding, initiative and proper attitude on the part of those administering the Act. ( para 4.06 ).

15. The overall position cannot, however, be regarded as satisfactory, as in our opinion, no case of assessment should be kept pending for more than two years from the date of filing of the last return. ( para 4.12 ).

16. It is observed that although a good number of appeals have been disposed off every year, the arrears at the end of each year have gone up and special efforts are necessary to cope with the clearance of appeals in arrears. ( para 4.13 ).

17. Although efforts have been made to keep the outstanding recoveries under check, the demand raised every year goes up and efforts have to be made to effect recoveries not only against the demand raised but also of the arrears in the previous years. ( para 4.15 ).

18. The department appeared to be devoting more time on cases which did not yield substantial revenues. A scheme of simple assessment has been brought into force but it has failed to catch the imagination of the dealers for whom it was meant nor has the administration changed its approach in dealing with assessments of small dealers. A radical departure in the procedure and approach in assessments seems inevitable. The appellate officers have sometimes rigidly followed provisions regarding pre-payment of amount in dispute without using discretion vested in them resulting in some cases in denial of right of appeal. The appellate officers have failed to create an impression of independence of their judgment. Fixing of back liability in many cases without limit causes hardship to dealers. There were complaints of seized books not being returned for considerable time after seizure. ( para 4.17 ).

19. There is woeful lack of simple amenities and facilities in the offices of the Sales Tax Officers. The Public Relations Officer has failed to create an impact of his position ( para 4.17 ).

20. The working of the Act has to be smooth and simple and the approach and attitude of personnel have to be reorientated so that while ensuring basic objectives to be secured, the administration can function without giving any scope for public complaints. ( para 4.17 ).

## CHAPTER FIVE

### *System of Sales Tax*

21. A pragmatic study of the systems of sales tax leads us to assume that system as a strategy to levy tax, stems from economic conditions and fiscal motives. A system is moulded by conditions and it also helps to mould conditions. It is therefore, partly a result of ordained disposition and partly a matter of choice and

design. What conditions we want to create, provides motivation for change, while the conditions already created, confront inhibition to it. System, in our opinion is thus a process of both evolution and design. ( para 5.04 ).

22. The shape of the systems of sales tax would depend on the purpose of tax which has been and will be for number of years to come in this country to raise revenue. ( para 5.05 ).

23. As the purpose of the tax has been and will have to be to raise revenue and also to sub serve the economic and social ends, in our view, the efficiency of a good system will depend upon the extent to which a balance of the objectives is secured. We are in accord with the normally accepted principles of a sound tax system viz., that the burden of taxation should be spread as evenly as possible having regard to ability to pay; that tax should be equitable; that it should be universal; that it should not be discriminatory between individuals or class of individuals similarly placed; that the tax should be easy to administer and should be simple to understand. We also agree that a tax system should be such as will foster production, encourage free flow of trade, regulate consumption and conform to national export policy. It should also satisfy revenue needs, prevent evasion and cause no distortion of diversion of trade. It is on the touchstone of these objectives and principles that a system which we advocate will have to stand. ( para 5.06 ).

24. We believe, however, that any system which we conceive should possess a built-in responsiveness and should be so tuned to economy that it responds increasingly with the growth in economy. ( para 5.08 ).

25. We believe, however, that the system of sales tax should in itself contain built-in safeguards against evasion. We have already referred in our discussion on economic pattern that a system will serve best if it takes into account economic implications. It should stem from economic conditions and it should also take into account the changes in economy, particularly impact of high industrialisation, changing pattern of distributive trade, prices and the incidence of tax which a commodity can bear without providing incentive to evasion of tax or leading to diversion of trade. The system should also leave on loopholes for evasion. ( para 5.08 ).

26. We, therefore, rule out the multi-point system from the present consideration. ( para 5.10 )

27. Looking to the pattern of retail trade which is not well organised every where and which is yet carried on in most cases by small shop-keepers as a family business and looking to the inadequacy of the records maintained by them, we have no doubt that retailer's stage sales tax would cause unnecessary hardship to a very large number of small dealers who will have to be brought under its fold. ( para 5.12 ).

28. On overall considerations as well as on grounds of administrative feasibility, we do not recommend retailer's stage sales tax. ( para 5.12 ).

29. The development of trade pattern clearly indicates that for all imported goods, manufactured goods and goods produced in the State, a middle channel of wholesalers is important link in the chain. We, therefore, think that a single point tax at the stage of manufacturers alone may not deliver the goods. ( para 5.13 ).

30. We think that even in a single point system, advocated before us, it is advantageous to levy first stage tax which will be paid by the manufacturers or other producers and importers and last stage tax at the stage of sale of the last Licensed dealer who may be a wholesaler or a semi-wholesaler. ( para 5.14 ).

31. We agree, however, that a careful thought should be given in selecting commodities for taxation at the first point or at the last point so that as many commodities as could be taxed at the first stage should be considered for single point levy at the first stage. We think that all goods which pass through comparatively small number of stages to the consumer and which pass through known and

established channels should be selected for levy at the first stage. All important raw materials for the industries, packing materials and such other goods which are of special importance to the industry can in our opinion, be selected for levying of tax at the first stage. Other luxury goods or consumer's goods which are in the nature of specialised demand and which are distributed through known and well established channels can also be taxed at the first stage ( para 5.15 ).

32. We find that there are large number of primary and agricultural products which it may be convenient to tax at single point last stage ( para 5.16 ).

33. We find that having selected goods for levy of single point tax at the first stage and also goods for levy of single point tax at last stage, there are goods which pass through either comparatively larger number of channels or pass through channels which cannot be controlled and identified and for which higher incidence of tax at one stage may not be advisable. In our opinion, it will be advantageous in such cases to split up the tax at the first point and the last point, keeping a fixed incidence of tax at the last stage and the balance at the first stage. We also find that in a system of general sales tax, having selected as large a number of commodities as possible for the single point levy, there will be residuary goods which it may be necessary and advantageous to subject to double point levy. ( para 5.17 ).

34. A purely single point system is not in existence in any of the States in the Country. Such a system has to be selective in character and incidence of tax has to be kept sufficiently high to ensure the desired amount of revenue. ( para 5.18 ).

35. As we have discarded the multi-point levy, we do not want to propose a system which is a combination of multi-point levy ( para 5.18 ).

36. We believe that a purely single point system at the present stage of development will not yield the necessary revenues ( para 5.18 ).

As no State, including neighbouring States, has a purely single point system, with the attendant higher rates of tax, adopting a system of that kind with high incidence of tax is bound to create diversion of trade ( para 5.18 ).

37. We think, therefore, that the system in the present circumstances should be predominantly a single point system but the disadvantages of a purely single point system should be eliminated by a combination of a limited double-point levy ( para 5.18 ).

38. In our choice, therefore, between a purely single point system and a double point one, we suggest a system for pragmatic reasons, in which all the advantages of the single point system will be combined with the advantages of a double point one and the apparent disadvantages are eliminated as far as possible. ( para 5.18 ).

39. We, however, do not favour retention of retail sales tax mainly on two grounds which are very sound and valid in our opinion. Firstly, the retail sales tax has not fulfilled the original intention of serving as a check on escapement of tax and in coverage has been extended far beyond its scope and secondly, it does not fit in with the system and is a positive distortion. ( para 5.19 ).

40. We think that these grounds are so overwhelming that retention of retail sales tax in modified form would also not be justified. ( para 5.19 ).

41. Although retail sales tax was not intended to be a revenue measure, we cannot ignore revenue aspect altogether in considering removal of retail sales tax at this stage. ( para 5.19 ).

42. We think that arguments against retail sales tax are so overwhelming that its retention would not be justified as a source of revenue. We think that the loss of revenue arising out of the removal of retail sales tax will be compensated by the rationalisation of the rates of tax and particularly an increase of one per cent incidence on the commodities falling under the residuary entry, as recommended by us hereafter. ( para 5.19 ).

43. We, therefore, recommend that retail sales tax should have no place in the system, which we recommend and that the retail sales tax should be totally removed. ( para 5.19 ).

44. However, we also agree that purchase tax should not be levied in addition to sales tax or purchase tax should be levied in lieu of sales tax on the lines of the system of purchase tax in the United Kingdom. There will be circumstances however, where purchase tax should be levied, where no sales tax would accrue. On these principles, purchase tax levied under circumstances stated in (a) to (e) should be continued. ( para 5.20 ).

45. When the goods are purchased under certificate or under declaration under section 41 and are not used for the intended purpose, a provision of purchase tax will secure the legitimate tax to the State. A provision for purchase tax on the purchase price on taxable goods held in stock and purchased either from an un-registered dealer or against a certificate would be justified as no sales tax in such circumstances accrues to the State. As for the purchase tax on the turnover of sugar-cane, it stands on a different footing and the intention is clearly to levy purchase tax on sugar-cane which is used in manufacture of sugar on which no sales tax is leviable. ( para 5.20 ).

46. We see no objection in removing the time limit prescribed under the present provision of the law. The removal of time limit will not result in loss of tax to the State but will certainly remove the handicap at present experienced by the dealers and also by the administration. We, therefore, recommend that as a part of the system, which we recommend, while purchase tax should be continued to be levied in the circumstances contemplated under the present provisions of the Act, the time limit prescribed in section 13 should be removed. ( para 5.20 ).

47. The minimum turnover limits, in our opinion, have little or no relation to the prevailing prices as such but the limits have to be fixed generally in relation to the general economic and trade conditions and administrative feasibility. We think that to prevent escape of tax, a priori there is no reason why every manufacturer or importer should not be made liable to pay tax. The only limitation in our opinion, would be to keep out such manufacturers who are really small manufacturers or producers and for whom there are inherent difficulties to maintain accounts and it may be administratively inconvenient if all of them are made liable to pay tax. However, turnover limits for importers and manufacturers should not be kept high and we do not see any reason for keeping the limit of turnover for importers and manufacturers on the same level as that of resellers. ( para 5.21 )

48. In order to implement this suggestion with which we fully agree we propose a straight forward course of keeping a special higher limit of turnover for such small manufacturers, village artisans or craftsmen or certain special establishments. ( para 5.21 ).

49. We recommend, therefore, that the limit for such special category of dealers should be kept at Rs. 30,000 and such special category of dealers may include the manufacturers in whose case the turnover limit is raised to Rs. 30,000 by notification issued under section 41 or artisans and craftsmen and special establishments for whom such exemptions have been considered in the past. ( para 5.21 ).

50. We consider that the following classes of dealers would fall in the special category:—

- (1) Dealers who carry on business of conducting printing press.
- (2) Dealers who are manufacturing footwear made by hand without using power at any stage.
- (3) Dealers who are engaged in the process of parching, roasting or salting groundnut seeds or groundnut and cereals and pulses.



(4) Dealers who are carrying on business of photography.

(5) Village artisans and craftsmen engaged in manufacturer of products of village industries or handicrafts.

(6) Dealers who conduct an eating house, restaurant, hotel, refreshment room or boarding establishment conducted primarily for the sale of sweetmeats, biscuits and pastries.

(7) Any other class of small manufacturers or craftsmen or class of establishments which may be declared from time to time by the Government ( para 5.21 ).

51. As for other manufacturers, we see no reason to keep a high turnover limit but since the limit is kept at Rs. 20,000 we do not suggest any change. Similarly we do not see any justification to keep a limit for importers higher than Rs. 10,000 but since the limit is kept at Rs. 20,000 we do not suggest to resuscitate the limit. We, therefore, recommend a continuance of turnover limit of all sales or of all purchases to be Rs. 20,000 for importers and manufacturers. We further propose that the limit of value of goods whether taxable or not brought by an importer into the State or despatched to him from outside the State during the year should be kept at Rs. 3,000. Similarly, limit of sales of taxable goods, sold or purchased during the year or limit of any goods whether taxable or not manufactured by a manufacturer ( other than a manufacturer belonging to special category ) during the year be kept at Rs. 3,000. ( para 5.21 ).

52. We do not agree with the view that the limits of turnover for resellers should be raised above Rs. 30,000. Although there is some force in the argument that in view of rising prices, a dealer with a turnover of Rs. 50,000 is in essence yet a small dealer but on this ground alone we are not inclined to suggest raising of the present limit ( para 5.21 ).

53. Lastly, we are also advocating voluntary registration for dealers and in the system that we advocate, coupled with other recommendations including simple manner of assessment for large number of dealers, we would not like to erode the present base ( para 5.21 ).

54. We think that in the conditions of trade existing in Gujarat, facilities should exist whereby levies in the Sales Tax Act do not enter into the costs of goods which are eventually sold in the course of inter-state trade or export trade, in order to maintain competitiveness in the trade ( para 5.22 ).

55. We, therefore, recommend that a registered dealer having a turnover of sales to another registered dealer or in the course of inter-state trade or export of more than Rs. 30,000 per annum may be given a Licence on the strength of which he can make purchases free of tax for resale in the course of inter-state trade or export or free of last stage tax subject to his paying last stage tax on his own resales in the state to persons other than Licensed dealers. ( para 5.22 ).

56. As a result of recommendations, the present documents of Licence and Authorization will be combined in a document called 'Licence' and the document of Recognition will continue. We, however, think that simplification is necessary both in the procedure and their conditions. ( para 5.22 ).

57. We, therefore, recommend that the present practice of making purchase of prohibited goods on payment of tax at the scheduled rates and purchases of non-prohibited goods free of tax should be continued. We further recommend that the amendments made in the Act but not brought into force may be repealed ( para 5.23 ).

58. However, the trade by Commission Agent is yet a recognised practice in some areas and as the system has been working without any difficulties, we recommend no change in the present position ( para 5.24 ).

59. We, therefore, recommend a system which is predominantly a single point system combined with a limited double point levy, with no retail sales tax but with a system of purchase tax where no sales tax accrue. Under the system which we recommend all important raw materials for industries and luxury goods which can be controlled at the first point would be taxed at single point first stage with higher incidence at the import or manufacturer's stage ; all agricultural or primary products would be taxed at the single point last stage alone with comparatively low incidence ; and a system of tax at two points in case of such few commodities which do not pass through controlled channels. We believe that such commodities should be taxed at the first point as well as the last point keeping a fixed incidence of tax at the last stage and the balance at the first stage ( para 5.25 ).

60. The system recommended by us, regulated by an easier system of licence and documents, abolition of retail sales tax, removal of time limit for purchase, tax, special higher turnover limit for small manufacturers, artisans craftsmen and special establishments and further supported by careful exemptions ; simple rate structure based on rational selection of commodities to be taxed at appropriate stages, a scheme of annual returns, simple manner of assessment for a substantial number of dealers and simplified procedure in many respects which we recommend in the subsequent chapters will, in our opinion, serve to achieve the objectives in view ( para 5.25 ).

## CHAPTER SIX

### *Special Problems*

61. The present definition, in our view, is elastic, comprehensive and adequate for the purpose and we do not recommend any change in the present definition ( para 6.03 ).

62. We also recommend that power vested in the Government under the Rule to exclude certain processes from the term 'manufacture' should be continued. The Government may review the exclusions notified from time to time and certain executive clarifications issued on the subject. While reviewing these notifications and clarifications, we suggest that following processes should be excluded from 'manufacture'.

(1) Conversion of milk into Chakka or Khoa.

(2) Mixing, sorting, moulding, bleaching, polishing, cutting, reshaping, recutting, grinding, drilling holes in and stringing of precious stones ( including diamonds and pearls ) and bunching of pearls.

(3) Cutting down of a large size of timber into a suitable smaller size for the convenience of individual customers ( para 6.03 ).

63. We further recommend that all the exclusions considered from time to time should be reviewed periodically and should be published for the information of the dealers ( para 6.03 ).

64. We think that there will be considerable difficulties if such charges are not included in the 'sale price' and we think the present definition which is well settled need not be disturbed ( para 6.04 ).

65. As the department is following the criteria settled by the decision of the Supreme Court, there should be no difficulty in the interpretation of sales as casual or otherwise. ( Para 6.05 ).

66. We think that the interpretation as to whether a particular transaction is consignment or amounts to sale of goods outside the State in the course of inter-state trade depend upon facts and the general principles ultimately decided by the Courts of law ( para 6.06 ).

67. However, colourable transactions under the guise of consignment pose a wider issue which has to be tackled at all India level. We suggest that when any dealer claims that he is not liable to pay tax under the Sales Tax Act, in respect of any

goods, on the ground that the movement of such goods, from one state to another was occasioned by reason of transfers of such goods by him to his other place of business or to his agents or principals as the case may be, and not by reason of sale, the burden of proving that the movement of these goods was so occasioned, should be on the dealer and for this purpose he may be required to produce before the prescribed authority, a declaration duly signed by the principal officer of the place of business containing the prescribed particulars in the prescribed form alongwith the evidence of despatch of such goods. As this will be a matter affecting the Central Sales Tax Act, we recommend that the Government may take up the matter with the Central Government for appropriate action ( para 6.06 ).

68. The gist of all the decisions, finally settled law, is whether in the sale of controlled commodities, the different controlled orders and regulations interfere with the freedom of the buyer or the seller. If it does, the essential ingredients in the definition of contract of sale is wanting. As this will be a question of fact, we think that the interpretation of transactions should be left to be decided in light of judicial decisions which lay down finally settled law. ( para 6.07 ).

69. The position deduced from various judgments is that if a contract is only a works contract with no element of sale of goods, it would not be taxable. If a works contract includes sale of goods, levy of tax on such sales would be proper. It cannot be held, however, as a general proposition that in every case of 'works contract', there is necessarily involved sale of goods. The question would depend upon fact of such case. Whether in a particular case there is a contract of sale of materials as distinct from pure 'works contract' would depend upon the agreement between the parties and on proof of an intention to sell the materials as such. We think that the composite contract of this nature, it is best to go by the facts and law on the subject. ( para 6.08 ).

70. The advantages of substitution of the Sales Tax by Additional Excise Duty to industry and trade are obvious viz. that it is easy to collect; leaves no chance for evasion; saves dealer from administrative complexities and eliminates consumer's resistance. ( para 6.09 ).

71. Since the matter will be examined by the Finance Commission, we do not make any specific recommendation but we suggest that the State Government should dispassionately consider the proposal for bringing new commodities under the purview of the arrangements keeping in view the impact on the revenues of the State as also the advantage which such arrangements will bring to the trade and industry as a whole. ( para 6.09 ).

72. We further suggest that the State Government may place before the Finance Commission well considered proposals on the basis of collection of Additional Excise Duties which should take into account the benefit arising out of rising prices. We also suggest that the State Government may consider the proposal for specific commodities after carefully considering the data about consumption of such commodities in the State, the revenues which accrue by way of Sales Tax on such commodities and the rise in the revenues of Sales Tax on the increased consumption as well as the increased rate of tax which the State Government might impose on such goods in future. ( para 6.09 ).

73. The suitability of proposed tax in lieu of octroi, its incidence and manner of collection, question of distribution of the proceeds are all matters which require detailed consideration. Since this is not within our purview and since the matter is understood to be under consideration of the State Government, we do not propose to go into this question any further. ( para 6.10 ).

74. One of the principal constituents of the economic policy of this State is to promote selectively industries which will contribute to the economy in terms of investment, technological progress and also to lay the foundation of further industrial growth. ( para 6.11 ).

75. We have recommended a system in which manufacturers producing taxable goods are enabled to make purchases on Recognition of prohibited goods on payment of

low rate of tax and of non-prohibited goods free of tax. This is a significant concession to manufacturers in the State. We have considered the procedural difficulties arising out of the conditions in the Recognition Certificate and have made appropriate recommendations on the same. Industries exporting goods outside the country will enjoy several concessions which have been considered on export promotion. ( para 6.11 ).

76. We have carefully considered the suggestions from all points of view and we think that consideration may be made in respect of industries which are of priority importance to the State only. We, therefore, recommend that industries considered to be of priority importance to the State may be exempted for a period of 3 years from payment of tax on their sales and purchases by a notification under the Act. We, however, suggest that a list of industries of priority importance may be drawn up by the Government in Industries, Mines and Power Department and notified by the Government in Finance Department after due consideration. We suggest that in drawing up the list, due care should be taken to select only those industries which are important to the State from point of view of the growth of State's economy *i. e.* those industries which have the potential of leading towards further industrialisation. ( para 6.11 ).

77. We believe that the system of sales tax should operate to promote national policy of export in general and the export trade of the State in particular ( para 6.12 ).

78. We are also happy to note that under the scheme of Recognition and set-off as provided in the Sales Tax Law of the State, the manufacturers are eligible to make tax free purchases on the strength of Recognition certificate of goods meant for use in the manufacture of taxable goods, except prohibited goods which do not attract tax at more than 3 per cent. We are satisfied that the system of Recognition works well and as the low incidence of tax is capable of being absorbed in the cost of production the export of manufactured goods does not suffer any handicap ( para 6.12 ).

79. We have considered the implications of this recommendation and we suggest that Akik which has more than 80 per cent of the production in export trade should be kept tax free. We think that the revenue loss to the State will not be significant and will be more than offset by considerable relief, it will give to the manufacturers and dealers engaged in this important trade ( para 6.12 ).

80. Our attention was also drawn to another recommendation of the Committee regarding grant of rebate of Central Sales Tax to the selling dealer on inter-state sales which ultimately lead to export outside the country. Since this is a matter connected with the Central Sales Tax Act, we would refrain from making any observations except to strongly urge the State Government to press the matter with the Central Government. We appreciate, however, that the State Government may not be able to implement this recommendation unless the Central Government agrees to make good the loss ( para 6.12 ).

81. We, therefore, recommend that the existing concession enjoyed by the cotton textile mills on purchases to be made of specified goods against 'N' form may be continued as a temporary relief in the present circumstances to the extent to which the amount of sales tax exceeds 2 n. p. in the rupee and to the extent to which the amount of general sales tax exceeds 2 n. p. in the rupee provided that if on the same goods sales tax is leviable no general sales tax will be levied. We also recommend that this position may be reviewed by the Government at a suitable time as soon as normal conditions in the industry are revived ( para 6.13 ).

82. Looking to the enormous number of the articles purchased by cotton textile mills and looking to fast technological changes which bring number of new articles hitherto unknown in the process of manufacturing, we do not think preparation of any precise list could be attempted with practical advantage. ( Para 6.13 ).

83. As the department is following the criteria laid down in this decision, we feel that no such difficulty should arise in determining goods which could be purchased on 'N' form. On the contrary, preparation of a list which by no means can be exhaustive will, in our opinion, bring unnecessary rigidity ( para 6.13 ).

84. We recommend that the State Government should move the Government of India to consider suitable change in the use of 'C' form to remove this difficulty. In the meanwhile, the department may see its way to the use of 'C' form for purchase of materials used by a processor for processing its own manufactured goods or of goods of other concerns, provided that the materials are purchased and used in its own undertaking and are not sold to other manufacturers or dealers ( para 6.13 ).

85. Looking to the special difficulties faced by the industry at the present moment we are of the opinion that the same concession as is available to the manufacturers or processors of cotton fabrics should be available to the same extent and in the same manner to the manufacturers or processors of rayon or art silk fabrics ( para 6.14 )

86. As the textile manufacturing units use not only cotton but also use other yarn such as rayon,, silk, art silk, terylene etc. in the manufacture of mixed textiles we feel that concessions allowed to cotton textile mills only result in discrimination. We, therefore, recommend that the concessions enjoyed by the textile mills for Purchases to be made on 'N' form and 'O' form should be extended to manufacturers of art silk textiles, in the same way as we have recommended for cotton textiles subject to the concessions to be reviewed as soon as normal conditions in the industry are revived ( para 6.14 ).

87. The levy of purchase tax on the basis of weight instead of on advalorem basis would, therefore, be consistent with the practice followed by co-operative sugar factories in the interest of their members and we recommend that the purchase tax should be levied on weight basis ( para 6.15 ).

88. As for rate of tax, we have examined the prevailing rates of tax in other sugar producing States. We recommend that it would be advisable to keep the incidence of tax comparable to that in the neighbouring States, having similar recovery percentage of sugar ( para 6.15 ).

89. If the interpretation results in such handicap, the Government should consider exemption from levy of purchase tax provided that the co-operative societies pay tax payable under the Bombay Sales Tax Act or the Central Sales Tax Act as the case may be and does not consign the goods outside the State. Under these circumstances there is no likelihood of loss of tax and suitable amendment will help development of genuine co-operative marketing and processing societies in the State ( para 6.16 ).

90. On the representation made by the industry to the State Government, concession has been given on sales or purchases of oil cakes to the extent to which the amount of general sales tax or the purchase tax exceeds one and half paise in the rupee. Since concession has already been given, we do not propose to make any further recommendation, except to suggest the Government may appraise whether the object has been served ( para 6.17 ).

91. We have no doubt that this anomaly must be removed and suggest that normal trade practice should be taken into account in devising the rates of tax. We recommend that in order to bring rationalisation, same rate of tax on water pumps water pumping sets, electric motors and oil engines should be levied ( para 6.18 ).

92. We do not see any reason in interpreting the same article as capable of being taxed differently because of incidental or remote use to which it is put ( para 6.18 ).

93. It has been held that test to be applied will be whether a particular article is principally or primarily meant for such use. We think that application of this test would be satisfactory in cases cited before us. In view of this no further recommendation appears to be necessary ( para 6.18 ).

94. We think that if the actual loss is proved by the dealer to the satisfaction of the assessing authorities from his books of accounts, such loss percentage should be accepted. If, however, such dealer is unable to keep accounts and to prove the loss therefrom, we suggest that a reasonable percentage may be applied by the department but such percentage should be arrived at by the department after consultation with

the responsible associations of the trade or based on study of similar cases in the local area and the officers should be instructed to follow such percentage provided as guide lines by the department ( para 6.19 ).

95. Since we have proposed a distinct higher turnover limit for class of small manufacturers or artisans, we recommend that metal merchants and utensil manufacturers ( without use of power ), should be included in the special category, we also propose considerable simplification by way of annual return and simple manner of assessment for small dealers and think that difficulties experienced by these dealers will be removed considerably ( para 6.19 ).

96. We think that silicate of soda which is a similar article like caustic soda and soda ash and used mostly by the same type of manufacturers, should be included in the same entry as that of caustic soda and soda ash. We further propose that the rate of tax of silicate of soda should be 5 per cent on the same lines as tax on caustic soda and soda ash as a part of our rationalisation proposals ( para 6.20 ).

97. We think that if the products of individual artisans are genuinely village industries products, no discrimination should occur between the products produced by an individual artisan and those produced by a co-operative society. We recommend that the State Government should arrive at some administrative arrangements in consultation with Khadi and Village Industries Board. If the Khadi and Village Industries Board cannot make arrangements, the machinery at the disposal of the Registrar of Co-operative Societies who is in charge of Khadi and Village Industries or any other suitable machinery of the State Government should be utilised for making such inquiries as may be found necessary and the Commissioner may issue certificate on such recommendation ( para 6.21 ).

98. We have considered in this connection the views of the Sales Tax Enquiry Committee ( 1957-58 ) and we think that the total exemption to products of cottage industries or of handicraft should not be considered for the reasons given by that committee and for the reason that such products are not identifiable from the resembling products and exemption will open the doors for evasion ( para 6.22 ).

99. We think that a separate higher turnover limit for such artisans and craftsmen would relieve them of much of the hardship experienced by them as small manufacturers. We have recommended a separate higher turnover limit for special category of dealers and recommend that Government may notify from time to time appropriate class of artisans and craftsmen for the purpose of higher turnover limit which we have proposed at Rs. 30,000. We feel that the difficulties of small manufacturers including village artisans and handicraft workers will be largely met by the recommendation made by us ( para 6.22 ).

100. We have not proposed total exemption for such manufacturers. However, we have recommended a special higher turnover limits for small manufacturers, village artisans and handicrafts workers which will solve the problem of shoe-makers ( hand-made shoes ) also. We recommend that the shoe-makers ( hand-made shoes ) should be included in the special category of higher turnover limit. We also recommend that for such dealers who have sales outside the State but whose sales practices are not organised or that the buyers in the other State are so small that they are not in a position to give 'C' form, concession from production of 'C' form may be considered in such special circumstances only after fully examining the trade practices. We recommend that the shoe-makers ( hand-made shoes ) who have sales outside the State may be exempted from production of 'C' form ( para 6.23 ).

101. We have not proposed total exemption for such manufacturers. However, we have recommended a special higher turnover limit for small manufacturers, village artisans and handicraft workers which will solve the problems of brick layers ( by hand made bhattha ) also. We recommend that the brick layers ( by hand made bhattha ) should be included in the special category of higher turnover limit ( para 6.24 ).

102. In view of more and more use of silver articles in place of gold and also of the fineness which varies generally between 50 per cent to 75 per cent, we are of the view that articles made of silver of not less than 50 per cent should be taxed at  $\frac{1}{4}$  per cent sales tax and  $\frac{1}{4}$  per cent general sales tax. This will help, in our view, in preventing diversion without much affecting the revenue of the State ( para 6.25 ).

103. We are impressed by the difficulties which such small establishments have to undergo on account of different rates of tax on a variety of articles which they serve.

We have considered these points very carefully in our proposals for rationalisation and most of the difficulties of hotel owners will be solved in the ultimate proposals which we make regarding rates of tax on all these articles as a part of our rationalisation proposals. ( Para 6.26 )

104. Since we have proposed a distinct higher turnover limit for small manufacturers and special establishment we recommend that hotels and restaurants should be included in the special category for the purpose of higher turnover limit. ( Para 6.26 )

105. We, therefore, recommend that farsan may be continued tax free but we see no reason why other preparation like mithai, dudhpak, Shrikhand, mava etc. should not be taxed. We, however, recommend an uniform rate of tax at 7 percent on all such products in our rationalisation proposals. In view of this the difficulties arising out of different rates of tax would disappear. ( Para 6.27 )

106. Since we have proposed a distinct higher turnover limit for small manufacturers and special establishments, we recommend that Farsanwalas, who sell only farsan should be included in the special category for the purpose of higher limit. ( Para 6.27 )

107. We have no hesitation in saying that different treatment by different officers on the same article in the matter of levy of tax should not happen and the department must see that such discrimination does not takes place. ( Para 6.28 )

108. Since we have proposed a distinct higher turnover limit for small manufacturers and special establishments, we recommend that Bakery Dealers should be included in the special category for the purpose of higher turnover limit and we do not think any special consideration for puff or khari biscuit is found necessary. ( Para 6.28 )

109. We feel that peculiar practice existing in the zari trade need special consideration. The solution lies in our view in keeping the rate of tax under the local Act at a reasonable level. ( Para 6.29 )

110. Since we have proposed 3 per cent as the basic rate of sales tax, we recommend that rates of tax of 3 per cent on zari thread and embroidery materials of gold, silver or gilded metal including badla, champa, Gota, kalma, katori, kasab, palav and excluding braids, borders, laces and trimmings. ( Para 6.29 )

111. As for braids, borders, laces and trimmings, it was particularly pointed out to us that the rate of tax based on price differentiation caused great hardship to the dealers. The price of fifty naye paise was too low in the context of present prices and the rate of tax was very high. We have already expressed our views that we are not in favour of rate of tax being based on price differentiation as it encourages evasive practices. We do not see any sound reason in keeping tax at a very high rate on these products but we think that they can bear a little higher rate of tax than other zari products. We, therefore, recommend that braids, borders, laces and trimmings irrespective of price related to weight or length should be taxed at 5 percent sales tax single point first stage. Incidentally manufacturers engaged in zari industry have stated before us that the amendments made in regard to Recognition system should not be brought into force. We have considered this aspect alongwith our recommendations on the amendments in the Recognition system. ( Para 6.29 )

112. As 90 percent of articles manufactured are exported outside the country we would straightway recommend Akik stones to be exempted from the payment of tax on the lines recommended by the committee on sales tax on export commodities ( Saraiya Committee ). The tax received on local sales is negligible and the proposed exemption from payment of tax would remove all other difficulties and hardships which are experienced by small dealers engaged in this trade, without affecting the revenue of the State. ( Para 6.30 )

113. We recommend that on account of the peculiar conditions of the trade, the existing time limit of 24 months should be extended to 36 months in the case of precious stones. ( Para 6.31 )

114. We also recommend that mixing, sorting, moulding, bleaching, polishing, cutting, reshaping, recutting, grinding, drilling holes in and stringing of precious stones ( including diamonds ) and pearls and bunching of pearls should be declared as not included in 'manufacture'. We suggest that stringing should mean stringing in plain cotton or silk thread and bunching means tying together the stringing of pearls, the end of which are tied in zari thread but should not include stringing of pearls or precious stones or bunching of pearls or with combination of any precious or ornamental metal. ( Para 6.31 )

115. Concession on export already exists and we see no reason to reduce the local rate of tax to as low as 2 per cent. However, consistent with our recommendation for rationalisation of tax structure, we propose the rate of tax on precious stones to be levied at 7 per cent. ( Para 6.31 )

116. There is no fear of diversion of trade on account of disparity in the rate of tax elsewhere and we do not consider it necessary to recommend modification in the existing rate of tax on the grounds urged before us. However, consistent with our recommendations on rationalisation of tax structure, we have proposed a rate of tax on synthetic stones to be levied at 7 per cent. ( Para 6.32 )

117. We agree that a fabric which is embroidered or otherwise decorated in the process of weaving should not be deemed to be decorated fabric. ( Para 6.33 )

118. While we do not dispute the reasoning of the High Court which was called upon to interpret the specific entry defined in the Act, we feel that if a fabric is subjected to process of embroidery after its manufacture as fabric has been completed either in the same factory or in another factory but it is shown that the products have moved from one factory to another according to the regulations of the Central Excise department and the final product has borne the Additional Excise Duty in lieu of Sales Tax the question of levying sales tax on such embroidered fabric requires special consideration. We recommend that under such circumstances where the embroidered fabric has borne Additional Excise Duty in lieu of Sales Tax on the final product, such embroidered fabric should be deemed not to be embroidered fabric for the purposes of sales tax. ( Para 6.33 )

119. In absence of any satisfactory solution, we think that whether a cloth or fabric is embroidered or otherwise decorated should be left to be judged on merits of each case. We have recommended ready-made clothes to be taxed at a reasonable level of tax and on the same analogy and on the same logic of value added, we recommend that cloth or fabric embroidered or otherwise decorated should be taxed at a reasonable rate of tax. As we propose the rate of tax at 3 per cent and remove price differentiation based on the different slabs of price, many of the difficulties experienced by the dealers, will be removed and will also prevent evasion of tax. ( Para 6.33 )

120. We think that adequate concessions exist to facilitate the export trade in wool. As the value of wool exported outside the country is less than 80 per cent of the total production in the State, we do not recommend total exemption for raw wool from payment of tax as this will involve foregoing revenues from sales tax charged on local and inter-state sales. ( Para 6.34 )

121. We have considered simplification of this form in our recommendations made hereafter and this difficulty will not survive. ( Para 6.34 )

122. We have recommended the local rate of tax of elastic tape at 5 per cent in our rationalisation proposal. We also recommend that for such dealers who sell the goods outside the State they may be exempted from the production of 'C' form. ( Para 6.35 )

123. We do not think that total exemptions to building contractors should be considered as the building contractors are liable to pay purchase tax for purchases made from unregistered dealers. ( Para 6.36 )



124. We have considered the position of dealers who are entering with works contract but have to make small purchases from unregistered dealers and recommend that all such dealers should be brought within the scheme of annual return and simple manner of assessment which will meet with the difficulties of dealers who enter into works contract but are liable to pay purchase tax on materials purchased by them. We also suggest that the department should issue suitable instructions for details to be maintained by such dealers at the minimum. ( Para 6.36 )

125. We, further, recommend that dealers who are exclusively dealing in tax free goods, but are liable to pay tax on account of small purchases of packing materials or the like, should be brought under the scheme of annual returns and simple assessment that the department should issue suitable instructions for details to be maintained by such dealers at the minimum. ( Para 6.37 )

## CHAPTER SEVEN

### *Rationalisation of the Structure*

126. We recommend only three schedules, schedule I of tax free goods, schedule II of goods taxed at single point first stage or single point last stage and schedule III of goods taxed at two stages, Schedule II may be conveniently divided into two parts, Part A dealing with goods taxed at single point first stage and Part B dealing with goods taxed at single point last stage. ( Para 7.02 )

127. We are of the opinion that the selection of goods for exemptions should be governed by definite principles. Usually such exemptions are in pursuance of social, economic or cultural objectives. However, the list of exemptions should not be too wide, result in discrimination or distortion of trade and exemptions should be confined to a few but well defined categories. ( Para 7.03 )

128. We recommend that sale or purchase of goods shown in Schedule I should be free from all taxes, as they fall, in our opinion within the classification made above and most of which have enjoyed exemption since the introduction of the Sales Tax in the areas of the State. ( Para 7.03 )

129. We find that the commodities (a) to (j) stated below which enjoy exemption at present, would not conform to the general principles for exemptions recommended above. On the contrary, we think that there are sufficient reasons for withholding the exemptions as discussed below. ( Para 7.04 )

130. We, therefore, see, no justification, for all these reasons, to continue exemption on articles and utensils of Kansa. ( Para 7.04 )

131. Agreeing with the reasons given by the previous Committee, we recommend that these commodities should be removed from the list of exemptions and should be taxed alongwith similar articles of trade such as Jira, Methi and Aajma, all of which are sold by the same class of dealers and which can be taxed at the same rate of tax without any difficulty to dealers or consumers. ( Para 7.04 )

132. We do not find any reasons which justify exemption of coconut in shell and separated kernel of coconut other than copra and recommend that these article should be removed from the list of exempted goods.

133. We see no reason why chemical fertilisers should not be made taxable. ( Para 7.04 )

134. We, therefore, recommend that fertilisers should be removed from the tax free entry and should be taxed at 3 percent sales tax. If for any reason, Government considers to keep the rate of sales tax lower than 3 percent, it is competent to do so by issuing a notification but such notification should be issued for a period for which low rate of tax is found necessary. ( Para 7.04 )

135. We think that under the scheme which we have recommended for small manufacturers, the object will be more conveniently achieved by raising the limits of turnover for artisans and craftsmen and small manufacturers. We, therefore, recommend that hand-made foot-wear should be removed from the list of exempted goods. We further recommend that the manufacturers of hand made footwear should be covered under the special higher limits of turnover which we have recommended for small manufacturers ( Para 7.04 ).

136. Agreeing with the reasons given by the previous committee, we recommend that Gur should be taxed and the present exemption on Gur should be removed ( Para 7.04 ).

137. We think that if ready-made garments are taxed at a reasonable rate, many of the difficulties will be removed. We, therefore, recommend that exemption on ready-made garments should be removed and a reasonable rate of tax on all ready-made garments without any price differentiation should be levied ( Para 7.04 ).

138. With the removal of Additional Excise Duty, this commodity can be taxed for the purpose of sales tax and we see no reason for continuing exemption on silk fabrics any longer ( Para 7.04 ).

139. We recommend removal of exemption on silk worm eggs and silk worm cocoons from the exemption list as we understand that this exemption is redundant in this State ( Para 7.04 ).

140. We have considered that akik which has more than 80 per cent of the production in export trade, should be kept tax free. We, therefore, recommend to include akik in the tax free schedule ( Para 7.05 ).

141. As answer books like exercise books also promote the same object, we recommend that they should be exempted from payment of tax on the same analogy and for the same reasons as in respect of exercise books ( Para 7.05. )

142. We recommend that films certified by Central Board of Films Censors to be predominantly educational in nature should be made exempt from payment of tax ( Para 7.05 ).

143. As these articles are prepared by the dealers who sell Farsan and are also articles which are sold with the articles of Farsan notified by the Government. Government should take steps to notify Katri, Farari Chevdo and Potato chips as Farsan in order to remove the difficulty ( Para 7.06. )

144. We think that in the context of present price and consistent with object of exemption, the limit of Rs. 1.50 should be raised to Rs. 2 ( Para 7.06 ).

145. We have already recommended that the State Government should arrive at some administrative arrangements in consultation with Khadi and Village Industries Board. If the Khadi and Village Industries Board, cannot make arrangements, the machinery at the disposal of Registrar of Co-operative societies who is in charge of Khadi and Village Industries should be utilised for making inquiries as may be found necessary and the Commissioner may issue certificate on the recommendation of the Gujarat Rajya Khadi and Village Industries Board or the Registrar of Co-operative Societies as the case may be, therefore, recommend that provision should be made that products of Village Industries as defined in the Khadi and Village Industries Commission Act, 1956, should be tax free when sold by a producer or a dealer certified for the purpose by the Commissioner in the manner prescribed and the Government may prescribe the manner in light of the above ( Para 7.06 ).

146. We think that all these difficulties can be removed by amending the present entry by substituting the word 'cloth' by the word 'fabric'. We also recommend that handloom fabric of all varieties when sold at a price less than Rs. 10 per metre only should be exempted from payment of tax ( Para 7.06 ).

146(a). We recommend continuance of this exemption on cultural ground but suggest that Chudas and Chudis which are coloured will not be deemed to be ornamented merely on that account ( Para 7.06 ).

146(b) We, therefore, suggest that Mangalsutra with black glass beads if sold at a price not exceeding Rs. 50 each should be treated as tax free ( para 7.06 ).

147. We think that it becomes necessary on many occasions to exempt in public interest any specific class of sale or purchase from payment of the whole or any part of any tax payable under the provisions of the Act and such power to exempt has a definite advantage in that, it imparts flexibility. We, therefore, recommend that such power should continue to vest in the Government. However, such power should be confined to the exemptions of specified class of sales or purchases and not to exemptions on specific goods which can be exempted by including in tax free schedule as far as possible. We further recommend that exemptions which are of a permanent nature should be embodied either in the provisions of law or in the schedule of tax free goods. Exemption which have temporary utility should be reviewed from time to time so that such exemptions can be withdrawn as soon as they have outlived their utility. We also recommend that the exemptions granted by notifications from time to time should be kept at the minimum, should be reviewed and prevailing exemptions should be published periodically for the information of the public ( Para 7.07 ).

148. Exemptions in Serial No. 1 to 7 being of a permanent nature, may be incorporated into separate and independent provisions in the Act ( Para 7.08 ).

149. Exemptions in Serial No. 8, 13, 19, 20, 28 being capable of being included in the tax free schedule, should be covered in the schedule of tax free goods ( Para 7.08 )

150. Exemptions in Serial No. 9, 10, 27, 29, 30, 40, 50, 51 being covered by various amendment which we have proposed in the Act, may be withdrawn ( Para 7.08 ).

151. Exemptions in Serial No. 14, 17, 21, 22, 31 being redundant or having outlived utility, may be withdrawn ( Para 7.08 ).

152. Exemptions in Serial No. 23, 37 are not justified on grounds stated by us and may be withdrawn ( Para 7.08 ).

153. Exemptions in Serial No. 11, 12, 15, 15A, 16, 18, 24 to 26, 32 to 34, 36, 39, 41 to 49 and 52 to 55 may be continued subject to notifications to be reviewed by the Government in light of the recommendations made, ( Para 7.08 ).

154. We, therefore, recommend total exemption without conditions and irrespective of the Sales by recognised associations to condoms and loops ( intrauterine contraceptive devices ) ( Para 7.09 ).

155. We suggest that vaccines, toxoids or sera which are essential to human life, should be totally exempted irrespective of any conditions as such conditions do not serve any practical utility but on the contrary cause complications (Para 7.09).

156. We, therefore, recommend, that patola sarees, scarves or other articles woven on handloom by artisans engaged in the Patola industry and pure silk kinkhab cloth should be made totally exempt from tax and be included in the Schedule of tax free goods subject to conditions as in the case of Khadi and Village Industries Products to a certificate to be issued by the Commissioner for the purpose ( Para 7.09 ).

157. Instead of adopting such an indirect course, we recommend that Venis, Gajra, Garlands and such other articles prepared from fresh flowers ( excluding those of artificial flowers ) which are also perishable should be treated exempt from payment of tax ( Para 7.09 ).,

158. We think that such an indirect course causes complications or at times discrimination. We, therefore, think that convenient way of solving these difficulties will be to provide for a higher turnover limit for small manufacturers, village artisans and craftsmen and certain special establishment as may be notified by the Government from time to time. ( Para 7.09 )

159. We have recommended abolition of retail sales tax and as such this exemption will become redundant. ( Para 7.09 )

160. We have recommended amendment in the Act and as such this notification will be redundant. ( Para 7.09 )

161. We have recommended the existing entry of handloom cloth to be amended and as the handloom fabric which we propose to exempt will include all such articles woven on handlooms, the present exemption would not be found necessary. ( Para 7.09 )

162. We recommend deletion of entries at Serial Nos. 14, 17, 21, 22, 31 in Annexure III to the Questionnaire, as they are either redundant or have outlived utility ( Para 7.09 ).

163. We, therefore, recommend that the exemption relating to sales of specified goods by the registered dealers to an electrical under-takings may be continued and Government may reconsider the position at a suitable time. ( Para 7.09 )

164. We do not favour exemption from payment of tax of sales to such institutions, charitable hospitals, dispensary or clinic which generally receive grant-in-aid, from the Government Exemption from payment of tax will operate as hidden subsidy. ( Para 7.09 )

165. We have recommended tractors and spare parts and accessories of tractors to be taxed at 3 per cent as a part of our rationalisation proposals and we do not think that such an exemption would be found necessary. ( Para 7.09 )

166. We recommend that sales tax should be levied on sale or purchase of good shown in schedule II Part A at the rates shown against the commodities. We also recommend that general sales tax should be levied on the commodities listed in schedule II Part B at the rate shown against them. We further recommend that the commodities shown in schedule III should be subjected both at the first stage and at the last stage at the rates of sales tax and general sales tax shown against them. ( Para 7.10 )

167. In order to remove this anomaly, we have proposed water pumping sets which are also predominantly used in agriculture not to be taxed separately from agricultural machinery or differently from electric motors and oil engines. ( Para 7.12 )

168. We recommend that art silk yarn should be taxed at 3 per cent which is the basic rate of tax proposed by us. If, however, for special reasons, Government considers that the rate of tax should be kept lower than the basic rate of tax, it may do so by issuing a notification for lower rate of tax and that the notification may be reviewed at a suitable time in future. ( Para 7.12 )

169. In order to remove doubts, we recommend that the entry of art silk yarn should include art silk yarn waste also. ( Para 7.12 )

170. We recommend that caustic soda, soda ash and silicate of soda should all to be grouped under one entry and be subjected to a tax of 5 per cent single point first stage. ( Para 7.12 )

171. As number of packing materials are left out and new packing materials are brought in use from time to time, we suggest that the entry should include such other packing materials as the State Government may by notification issued in the Official Gazette, specify for the purpose. ( Para 7.12 )

172. We have recommended earlier that handloom fabric of all varieties when sold at a price less than Rs. 10 per metre only should be exempted from payment of tax. We further recommend that handloom fabric of all varieties when sold at a price not less than Rs. 10 per metre should be taxed at 3 per cent sales tax. ( Para 7.12 )

173. As all such articles are proposed to be taxed at 3 per cent in our rationalisation proposals, it will be convenient and advantages to keep rain coats and Umbrellas under separate entry at 3 per cent sales tax. ( Para 7.12 )

174. In order to remove doubts, we recommend that the entry of raw silk and silk yarn should include silk yarn waste also. ( Para 7.12 )

175. We, therefore, recommend that ready-made garments and other articles ( Other than ready-made garments and other articles prepared from Khadi ) prepared from any textile or handloom fabrics including those which have been embroidered or otherwise decorated should all be taxed at 3 per cent at the first stage. ( Para 7.12 ).

176. As a part of our rationalisation proposals, we recommend that sarees of all kinds embroidered or otherwise decorated irrespective of price, should be taxed at 3 per cent sales tax. ( Para 7.12 )

177. We therefore recommend 3 per cent sales tax to be levied on fabrics of all kinds embroidered or otherwise decorated. In order to remove any doubt, however, it should be made clear that sarees or fabric decorated in the process of weaving should not be deemed to be decorated saree or fabric. It should also be made clear that if a fabric is subjected to process of embroidery after its manufacturer as fabric has been completed either in the same factory or in other factory but it is shown that the products have moved from one factory to another according to the regulations of the Central Excise department and the final products has borne Additional Excise Duty in lieu of Sales Tax, such embroidered fabric should be deemed not to be embroidered fabric for the purpose of levy of Sales Tax. ( Para 7.12 )

178. In order to remove doubts, we recommend that the entry of staple fibre and staple fibre yarn should include staple fibre waste also. ( Para 7.12 )

179. We recommend that the entry of flour in tax free schedule should exclude maize flour and starches, in taxable entry should include maize flour and topioca flour also. We, therefore, recommend starches and maize flour and topioca flour be taxed at 3 per cent sales tax. ( Para 7.12 )

180. In order to remove doubts, we recommend that the entry of woollen yarn should include woollen yarn waste also. ( Para 7.12 )

181. Since we do not recommend exemption for hand made footwear and since we have recommended the removal of price differentiation, we recommend that footwear, irrespective of whether made by hand or not irrespective of price should be taxed at 5 per cent sales tax. ( Para 7.12 )

182. We, therefore, recommend that bicycles and tricycles, tandem cycles and cycle combinations and tyres, tubes, accessories and part thereof should be taxed at 7 per cent sales tax. ( Para 7.12 )

183. We, therefore, recommend that cement and articles made of cement, that is to say articles in making of which cement is used irrespective of the proportion in which it is used including floor and wall tiles should be taxed at 7 per cent sales tax. ( Para 7.12 )

184. Since we do not favour price differentiation, we recommend that glassware, chinaware or articles made of porcelain and glazed earthenware should be taxed at, 7 per cent sales tax irrespective of price differentiation or articles being sold per piece. ( Para 7.12 ).

185. We recommend that timru leaves should be put under a separate entry and taxed at 7 per cent sales tax. ( Para 7.12 ).

186. In order to remove such doubts, we recommend that the entry of fire works should include matches and other substances ordinarily used as fire works. ( Para 7.12 ).

187. We, therefore, see no reason to keep any distinction between furniture of different kinds or to distinguish skeletons of furniture from furniture and we recommend that furniture of all kinds including safes, cup-boards, almirahas, upholstered furniture and skeletons of furniture should be all taxed at 10 per cent sales tax. ( Para 7.12 ).

188. We, therefore, recommend that plywood, flushdoors, decorative sheets, such as Formica, Sanmica and others and synthetic wood and articles prepared from plywood and decorative sheets and synthetic wood should all be taxed at 10 per cent sales tax. ( Para 7.12 ).

189. We, therefore, recommend that Isabgul should be taxed at 3 per cent general sales tax and should be treated as prohibited entry. ( Para 7.12 ).

190. In order to remove different rates of tax and ambiguity, we recommend that all these articles which are similar in nature should be brought under one entry and should be taxed at a rate of 5 per cent sales tax and 3 per cent general sales tax. ( Para 7.12 ).

191. We recommend that toilet articles including hair oil, hair cream and hair tonic excluding soap should be grouped together and be taxed at 5 per cent sales tax and 3 per cent general sales tax. We further recommend that perfumes, natural and synthetic essential oils and their compounds and aromatic chemicals and their compounds, depilatories and cosmetics should all be taxed at 7 per cent sales tax and 3 per cent general sales tax. ( Para 7.12 ).

192. We think that this is a step in the right direction of harmonization of tax rates and the process may be carried further to cover more number of luxury goods within the agreed list on which uniform minimum rates of tax could be levied by all States. The uniform minimum rate of tax should be revised in the context of changing of economic conditions and the need for taxing luxury goods at higher rates. We recommend that the following steps may be taken by the State Government. ( Para 7.14 ).

193. The State Government may take initiative in calling periodical, zonal or regional meeting of neighbouring States to discuss problems of common importance including the harmonization of tax rates. ( Para 7.14 ).

194. The State Government may take up with the Government of India for adoption by States' uniform agreed list of goods to be exempted by all States. This will prevent evasion of tax and impact of unfair competition with similar goods taxed elsewhere. ( Para 7.14 ).

195. The State Government may take up with the Government of India the question of bringing uniformity in certain concepts and definitions which feature in Legislations of all the States and also bring about uniformity in certain procedure which are generally common in legislation of the States. ( Para 7.14 ).

## CHAPTER EIGHT

### *Simplification of the procedure*

196. In the context of conditions existing in Gujarat, we do not see any risk in permitting voluntary registration. ( Para 8.03 ).

197. We, therefore, recommend that voluntary registration should be permitted under the Act. ( Para 8.03 ).

198. We do not see any justification for delays in the cancellation beyond one month even in such cases and we recommend that department should take steps to see

that cancellations of registration are effected within a period of one month. If, for any reasons, cancellations are delayed beyond one month, reasons for such delays should be examined by higher officers and steps should be devised so as to ensure disposal of cancellation applications within one month, as far as possible. ( Para 8.04 ).

199. We think that the form of Licence and the form of Authorisation can be combined with advantage as dealers who make use of them normally belong to a common class. We, therefore, recommend that the form of Licence and the form of Authorisation may be combined into a single document. A form of combined document is recommended as per Appendix G. ( Para 8.06 ).

200. In view of this, we recommend that the condition requiring list of goods to be specified in the Recognition should be deleted. We recommend the form of Recognition as per Appendix H. ( Para 8.06 ).

201. Looking to the existing practice of trade through commission agents, we recommend that the form of permit should be continued as a separate form of document in its present form. ( Para 8.06 ).

202. We, therefore, recommend that there should be no conditions imposed and no further requirements to be insisted before granting documents like Recognition and Permit. We recommend that for a dealer applying for Licence, the condition should be that he has been a registered dealer for continuous period of not less than twelve months immediately preceding the date of the application and if he is not so registered, he should be required to deposit a sum of Rs. 5,000 in cash or by way of security or to furnish to the Commissioner the guarantee of a Bank approved by the Government in this behalf agreeing to pay the Commissioner on demand such sum not exceeding Rs. 5,000 or to furnish one surety acceptable to the Commissioner for a sum of Rs. 5,000. We further recommend that the guarantee of the State Co-operative Bank or District Co-operative Bank should be considered on par with the guarantee of the Bank approved by the Government for the purpose. ( Para 8.07 ).

203. We recommend that in case of Licence, if a dealer has not been registered for a continuous period of 12 months preceding the date of Licence, he should furnish deposit or securities or surety for the sum of Rs. 5,000. This deposit, security or surety should invariably be returned or released after the amount of tax including penalty payable by him in respect of the period ending on the last date of the year following the year in which the Licence was issued to him has been assessed and dues have been paid by him or on the expiry of a period of 36 months next following the date on which the Licence is granted whichever is earlier whether the dealer applies or not. In order that the deposit etc., can be returned before the above time limit, we recommend that assessments of such cases should be taken up on priority. ( Para. 8.07 ).

204. There seems to be no objection in giving effect to the document from the date of application, where documents are granted. In the event of documents not being granted, the question of date would not arise but we suggest that the refusal of granting documents should be decided within a reasonable time and should be communicated to the parties to avoid hardship. ( Para. 8.08 ).

205. Forms No. 4a, 6, 19, 20, 32, 32A may be deleted as they are either redundant or have become unnecessary in view of our recommendations on the system and structure of sales tax. As for form 6, we propose its deletion as it will now be incorporated into the form of Licence which we have proposed as Appendix 'G'. ( Para. 8.09 ).

206. Forms No. 1, 2, 3, 4, 4A, 5, 7, 8, 8A, 9, 10, 11, 13, 14, 15, 17, 17A, 18, 25, 29, 30, 31, 31A, 37, 38, 43A may be amended in light of the experience gained by the department in the working and also in light of the recommendations made by us on the system and structure of sales tax. There will be material changes in forms No. 4 ( Application for document ), 5 ( forms of Licence as proposed as Appendix G ), 7 ( Form of Recognition as proposed as Appendix H ), 15 ( Certificate by Recognition holder ), 18 ( Form of return as proposed as Appendix J ) and 30 ( Form of assessment order ), for which reasons have already been given by us along with recommendations made on the

change in the system of documents, and filing of returns. There will be consequential changes which will be of minor or verbal character in Form Nos. 4A, 8A, 9, 10, 11, 14, 17A. ( Para. 8.09 ).

207. We think that the composite forms cause complications, as the dealers invariably do not strike out the alternate recital applicable in different sets of circumstances and thus the practical utility of prescribing a composite form is lost. We therefore, recommend that forms proposed as forms No. 14A and 17B should be added as fresh forms. ( Para. 8.09 ).

208. We further recommend deletion of forms denoted as A, B, C, D, E, F, I, J, K, L and U and prescribed under notification under section 41 of the Act. We have recommended deletion of Form A and B as we have recommended inclusion of the exemptions in the body of the Act. We have recommended deletion of forms C and E as they are recommended to be included in the schedule of tax free goods. Deletion of forms No. F, J, I, K, L and U is recommended on the ground of removal of corresponding exemptions. ( Para 8.09 ).

209. We recommend continuance without modification forms No. D, G, H, M, Q, R, S, T, W, X, Y, Z, AA and BB subject to minor changes for which proposals are pending with the Government ( Para. 8.09 ).

210. We think, forms which are devised for compliance of requirements under the Law should be prescribed under the Act and Rules and no forms which are not required under a statute should normally be prescribed by executive orders. We therefore, recommend that either the forms prescribed under the executive order should be withdrawn or if they are allowed to stand, they should be simplified considerably. We suggest the forms as in Appendices I, J, K, L. ( Para. 8.09 ).

211. It is competent to the partners to agree that on the death of any one of them the firm shall not be dissolved and his nominees or legal representatives shall be entitled to step into his shoes. In spite of this position, in some cases pointed out to us the Sales Tax Officers treated firms as dissolved without inquiring whether there was an agreement to continue the partnership. We suggest that the correct legal position should be brought to the notice of the Sales Tax Officers. ( Para. 8.10 ).

212. As the revenue department is the only department which has at its disposal adequate machinery to make necessary inquiries about properties and other factors affecting the solvency, we do not see the need of any other alternative agency for inquiry. We may only observe that the delay and inconvenience in obtaining solvency certificates from the Revenue Department may be eliminated by issue of suitable instructions by the Government. ( Para. 8.11 ).

213. As observed, monthly returns have been prescribed for a special contingency. As we have recommended earlier that no further conditions are necessary for dealers applying for documents other than the Licence, we recommend that the monthly returns for a dealer who applies for a document of Recognition or Permit for the first twelve months, should be discontinued. A monthly return will, however, be continued for a period of first twelve months only in the case of a dealer who applies for a Licence for the first time. ( Para. 8.13 ).

214. We recommend that the dealers whose annual turnover does not exceed Rs. 1 lakh and who is not a Licenced dealer should be afforded the facilities of filing annual return. We also recommend that annual return should be permitted for (1) all Government departments which are liable to pay tax, (2) for contractors who are entering into works contract only, (3) dealers dealing in tax free goods only but have incidental taxable purchases and (4) such other class of dealers as may be notified for the purpose by the Government ( Para. 8.13 ).

215. For all categories of dealers, other than dealers filing monthly returns, the payment shall be quarterly. In the case of dealers filing monthly returns, the payment



will be monthly. We further recommend that the dealers who are afforded the facilities of filing annual returns will nonetheless file simple declaration in a prescribed form showing the tax due and payable by him. We recommend the form of declaration as in Appendix M. ( Para. 8.13 ).

216. We recommend the form of return as in Appendix N ( Para. 8.14 ).

217. In the revised form of return, we have suggested that the repetitions should be dispensed with, we think that the form which we recommend will bring the desired simplification without sacrificing the details which are indispensable. As we have recommended declaration to be filed by dealers who are afforded the facilities of annual returns, we recommend that the provisions regarding the period within which the return should be filed, penalty and prosecution for late filing of return should apply *mutatis mutandis* to declarations also. ( Para. 8.14 ).

218. We do not see any reason why all the modern facilities of payment by cheques through Bank should not be availed of in city and urban areas and why alternative modes of payment should not be offered to dealers in the remote areas who may find it difficult to go to the sub-treasury only for making payment of sales tax dues. ( Para. 8.15 ).

219. We recommend that where there is branch of the State Bank of India or its subsidiary, payment by cheques drawn on the Bank by dealers should be permitted and possibilities of payment by cheque into other scheduled Banks should be explored. We further recommend that mode of payment by money order or crossed postal orders should be permitted to dealers of such areas where banking facilities do not exist and which are away from the head quarter of the sub-treasuries. ( Para. 8.15 ).

220. Since the simplified scheme of assessment has not yielded satisfactory results, the desired object will not be achieved by the continuance of the scheme in its present form. ( Para. 8.17 ).

221. We accept inevitability of adopting simple manner of carrying out assessments of certain categories of dealers. We, therefore, recommend that the assessments of different kinds of dealers shall be carried out on the following lines :— ( Para. 8.18 ).

222. We have recommended earlier a scheme of annual return. Assessment of all such dealers who are required to file annual returns may be carried out in a simple manner. ( Para. 8.18 ).

223. For a dealer filing annual return and who is not a importer or a manufacturer, return may be accepted as filed by him. If the amount of tax paid during the year alongwith the declarations and the return is less than the amount of tax assessed in the previous year or in the year in which last assessment was carried out and reason for less payment are not forthcoming in the return filed by him, such reasons may be called for by the assessing officer from the dealer without requiring his personal attendance in the first instance and if assessing officer is satisfied with the reasons, he may assess the dealer on the basis of the returns file. ( Para. 8.18 ).

224. For a dealer filing annual return and who is an importer, the dealer may be required to furnish the details of purchases made on C forms or details of imports made by him alongwith the annual return for all such transactions made during the year. The Assessing officer may cross verify the details furnished by the dealer and if he is satisfied from the details furnished and the cross verification made, that returns furnished are correct and complete, he may proceed to assess on the basis of the returns filed. If on cross verification of the details of purchases on C forms and imports, any further information is necessary, the assessing officer may require the presence of the dealer or production of further evidence and complete the hearing and proceed to assess the amount of tax due from the dealer on the same day as far as possible. ( Para 8.18 )

225. For dealers filing annual returns and who are manufacturers but not importers, there will be two categories. Small manufacturers, village artisans and

craftsman and dealers having small establishments who are in the special category for the purposes of higher turnover limit will fall into the first category. Manufacturers who are engaged in the organised sector of industry, will fall into second category. The manner of carrying out their assessments will be as under. ( Para 8.18 )

226. Manufacturers falling in the first category are generally not in a position to maintain details of sales accounts and their assessments even today are made on the basis of their purchases and the turnover of sales estimated on the purchases made to which margin of gross profit is added. Dealers who are very small and are illiterate or have no means, do not possess even rudimentary accounts of purchases and sometimes assessment is made in such cases on estimates on the basis of stock found at the time of spot visit. In the case of small hotels or eating places, the expenditure is estimated which is assumed to bear a well defined proportion to the turnover and assessment is made on the basis of the estimated turnover. We have found that the assessments made on estimates in most of the cases of such dealers appear arbitrary and have been a source of acute discontent for small dealers. We have also found that such dealers are not in a position to file appeals or their appeals are not entertained as they are not in a position to make pre-payment or to offer security for the amount of tax which is arbitrarily assessed or is disproportionately high. Lumpsum assessment or composition in such cases also become arbitrary or inequitable. ( Para 8.18 )

227. We recommend that in the case of this category of dealers, the assessing officer may accept the returns and proceed to assess on the returns filed if the tax paid by the dealer during the year alongwith declarations and return is not less than tax assessed in the previous year or in the year in which the last assessment was carried out. If the tax paid is less, the details of purchases may be checked with the vouchers and purchases may be cross verified if necessary and the turnover may be worked out on the basis of the purchases furnished by the dealer and the average gross profit which may be worked out by the department on the basis of profits of such dealers in the local areas. If the tax calculated in the details furnished by the dealer and the computed turnover does not vary from the tax paid by him within a margin of 10 per cent the assessing officer may assess the dealer on the basis of the return filed. If however, the assessing officer is not satisfied about the genuineness of the purchase, details supplied by the dealer or that the difference in the tax paid exceeds the margin of 10 per cent, he may proceed to assess on the basis of material available before him or according to the best judgment. The hearing in such cases should also be finalised on the day on which the dealer appears as far as possible. ( Para 8.18 )

228. As for the second category of manufacturers, the assessing officer may ascertain the turnover, the purchases made on recognition certificate and the tax collected on taxable or tax free goods from the returns filed and verification of the details should be completed before regular hearing is given by the assessing officer. The dealer may be required to produce such books of accounts as are necessary for verification and the hearing should be completed on the day on which the dealer appears as far as possible. ( Para 8.18 )

229. Dealers who enter into works contract but have incidental purchases made from unregistered dealers may be required to furnish the details of purchases made from unregistered dealers alongwith the annual return. The assessing officer may accept the returns and proceed to assess on the basis of returns filed. ( Para 8.18 )

230. Dealers exclusively dealing in tax free goods but are liable to pay tax on account of small purchases of packing materials or the like should be required to furnish details of purchases of packing materials or the like alongwith the return. The assessing officer may after cross verification of the details of purchases of packing materials, if necessary, may accept the returns and proceed to assess on the basis of returns filed. ( Para 8.18 )

231. The Commissioner of Sales Tax may select 25 per cent of cases assessed as above for detailed scrutiny every fourth year. In cases where there are wide variations between the returns filed for the year in which the detailed scrutiny is made and the tax assessed after detailed scrutiny, the Commissioner may decide according to the merits of the case whether the case of such a dealer will be taken for regular assessment for such number of years as he may decide. ( Para 8.18 )

232. In all the cases mentioned, above, if the variation in the tax assessed in the previous year or in the year in which last assessment was carried out and the tax paid alongwith the return exceeds 10 percent or where suppression is suspected or on the basis of other credible information received by the department detailed verification is found necessary, such detailed verification may be directed by an officer of the rank not lower than Assistant Commissioner of sales tax who may satisfy before directing detailed verification, that there are *prima facie* grounds established before him that detailed verification is necessary. ( Para 8.18 )

233. We find that the method of assessment in case of all dealers is dilatory and unnecessary details are called for at the time of verification or at the time of hearing. While we recommend no material change in the method of assessment in the case of dealers other than the categories of dealers in whose case simple manner of assessment is suggested above, we think that in carrying assessment of such dealers also, instructions may be laid down by the department for limiting verification on necessary selected lines. The returns filed by such dealers should be scrutinised on broad lines to ensure that they are complete or are correctly filed. The registration record of such dealers and assessment record of previous year should be examined prior to detailed verification. The assessing officer should study the previous record and details filed alongwith the return in advance and should indicate the lines on which further detailed verification is necessary with reference to the books of accounts of the dealer. The assessing officer may take the help of an inspector for verification who should complete verification on the guide line given to him and within the time allotted. Instructions should be prescribed for keeping record of verification made by Sales Tax Inspectors in some suitable form. Such verification report should form part of the assessment case and should be a part of the record for the use of the assessing officers as well as appellate authorities. The dealers should also have access to the verification report. The assessing officers while passing assessment orders should refer to relevant points in the verification reports and to the points recorded by him at the time of hearing and his findings should be based on material available in the record. The assessment order should clearly indicate the tax assessed, supported by reasons on findings about deductions, set off, refund etc. It should be ensured that assessment orders are passed by the assessing officers as early as possible after the final hearing and not later than 30 days. A certified copy of the assessment order should be invariably given to the dealer concerned alongwith the copy of the notice of demand. Copies of orders supplied to the dealers should be legible and type written as far as possible. ( Para 8.18 )

234. We emphasise that wherever regular books of accounts are maintained and the books are closed regularly, books of accounts of dealers should be accepted. Where such books of accounts are not accepted, reasons should be given for not accepting the books of accounts and such reasons should be based not on presumption alone but on some tangible evidence. Wherever it is found necessary to lay down a formula, the department, in consultation with the responsible Associations of dealers in the area should work reasonable formulae in respect of different types of manufacturers and such formula should be given to assessing officers for guidance only. We think that the assessing officers will imbibe the right spirit in which instructions are given and will exhibit initiative and discretion wherever necessary.

235. We think that honesty in filing returns should be encouraged. As a concrete measure to encourage honesty amongst dealers, we suggest that the department may keep a record of dealers in whose cases there are no variations between the amount of tax paid alongwith the return or the variation is so small that the dealer in the eye of the department is an honest dealer. Cases of such dealers may be decided on the basis of the returns filed in the same manner as recommended for the dealers filing annual returns subject to detailed scrutiny only once in four years. ( Para 8.19 )

236. We suggest that assessing officers should fix up the cases in a planned manner with due regard to priorities assigned. The number of dealers to be called on one day should be fixed keeping in view the number likely to be taken up on the day. There should be minimum of adjournments and reasons should be recorded for each

adjournment granted. Adjournment to be granted should be decided early in the day so that the dealers need not wait and long waiting for dealers in all cases should be avoided. ( Para 8.19 )

237. We are told that there is a practice of sending Sales Tax Inspectors for verification of accounts to big industrial concerns or establishment whose turnover exceed Rs. 20 lakhs. We recommend that this practice should be continued and should be extended invariably to all such dealers ( Para. 8.19 )

238. We think that time has come when a statutory time limit should be placed on the completion of assessments within a reasonable time. ( Para 8.20 )

239. We have no doubt that a statutory time limit will exert necessary pressure on the administration to carry out assessments expeditiously. ( Para 8.20 )

240. With the reorientation in the manner of disposal and the efficient use of staff, it should be possible for the department to complete the assessments within the specified time limit and administrative difficulties, however unsurmountable, should not come in the way of placing a statutory time limit. We, therefore, recommend that a statutory time limit should be provided for completion of assessments and taking into account all the factors, we recommend that a provision should be made in the Act that an order of assessment shall be made before the expiry of 3 years from the end of the year in which the last return due is filed. ( Para 8.20 )

241. Although assessment has to be made according to best of judgment in such circumstances, the officer should bear in mind certain well accepted principles. The assessing officer should not act dishonestly and vindictively or capriciously but he must take what he honestly believes to be a fair estimate of the proper figure of assessment and for this he must be able to take into consideration local knowledge and repute in regard to dealer's circumstances and his knowledge of previous records and all other matters which he thinks will assist him in arriving at a fair and proper assessment. The assessing officer should avoid guess work. ( Para 8.21 )

242. The assessing officer must disclose the material on which he is going to pass the order and in the case he relies on any private source of information, he must communicate to the assessee the substance of the information which he proposes to utilise against the dealer so as to give him an opportunity to meet it. Best judgment assessment should not result into excessive or over assessment. ( Para 8.21 )

243. The Sales Tax law does not aim at interfering with the manner of keeping the accounts by the dealers. However the accounts should be kept in a sufficiently clear and intelligible way to enable the assessing officer to determine whether or not the dealer is liable to tax during any period or are to be so kept as enables a proper scrutiny of the returns or statements furnished. If a dealer does not keep true account of the value of the goods purchased or sold by him or the accounts kept are not sufficiently clear or intelligible, the Commissioner has got powers under the Act to require the dealer to keep a true account of the value of the goods purchased or sold by him or to keep such accounts in such form or manner as he may consider it necessary for the purposes of assessment. ( Para 8.22 )

244. On the whole we think that the powers under the Act are necessary and there are no genuine grounds for fear of mis-use of powers. While we recommend that the present provisions should continue, we suggest that in order to allay any fears in the minds of the dealers, powers under this provision should be exercised by the Commissioner. ( Para 8.22 )

245. While we do not consider that a statutory time limit should be fixed for hearing and disposal of appeals, we would emphasise that disposal of appeals should be ensured within one year from the date of filing. But even then we find that a gap is created because of increase in the number of Sales Tax Officers at the original level and the expansion of the Tribunal at the higher level and unless more Assistant Commissioners are appointed for disposal of appeals, the gap will be widened. ( Para 8.24. )

246. We should also emphasise the need for planned disposal by Assistant Commissioners who should dispose of appeals according to priority. Normally, appeals should be taken up for hearing in order of date of filing but priorities should be assigned to appeals involving higher revenues, where tax has been held in abeyance and also appeals arising out of cases in enforcement where books are seized ( Para 8.24 ).

247. It is not enough that justice is done to dealers but it should appear that justice is done to them. Separation of Appellate Assistant Commissioners in our opinion, is a step in the right direction and should be implemented forthwith ( Para 8.25 ).

248. We find that at present there are 6 Assistant Commissioners in charge of administration, Assistant Commissioner, Ahmedabad Range, is not entrusted with functions of hearing appeals. The output of appeals by other Assistant Commissioners in charge of administration is low and as we shall observe later the need for reducing the burden of work of Assistant Commissioner in charge of range cannot be denied. Under the circumstances with addition of one or two officers, it should be possible to provide separate Appellate Assistant Commissioners for disposal of appeals in all the ranges satisfactorily ( Para 8.25 ).

249. We have therefore no hesitation to accept the suggestion and we recommend that the functions of Appellate Assistant Commissioners should be separated from administrative function and that there should be separate Assistant Commissioners to hear appeals only ( Para 8.25 ).

250. Since we have recommended separation of appellate and administrative functions and since we have recommended appointment of Assistant Commissioners exclusively to hear appeals, in order to ensure independence of judgment on the part of the Appellate Assistant Commissioners, we further recommend that a provision should be made in the Act on the lines of the Income Tax Act that no orders, instructions or direction shall be given by the Commissioner so as to interfere with the discretion of the Appellate Assistant Commissioners in the exercise of their functions ( Para 8.26 ).

251. As we have recommended separation of Appellate Assistant Commissioners, the control of Assistant Commissioners is to our mind, a matter largely of administrative propriety and convenience. We do not think that the suggestions for appointment of judicial officer as Appellate Assistant Commissioner or control of Appellate Assistant Commissioners by District Judges is feasible ( Para 8.27 ).

252. We do not think that the Sales Tax Tribunal with the present limitations of its functions and set up will be in a position to exercise administrative control over Appellate Assistant Commissioners ( Para 8.27 ).

253. The suggestion for administrative control to be exercised by the Legal Department would also not be feasible as a small cadre of few Appellate Assistant Commissioners cannot be placed under the administrative control of the Legal Department without administrative difficulties.

254. We, therefore, recommend that administrative control over Appellate Assistant Commissioners would be kept under the Board of Revenue, which is recommended to be set up in our recommendation made in the chapter. So long as the Board of Revenue is not constituted the administrative control should be kept with Commissioner ( Para 8.27 ).

255. We, therefore, recommend that a provision should be made in the Act on the lines of section 250 of the Income Tax Act that the Sales Tax Officer either in person or by a representative shall have the right to be heard at the hearing of the appeal ( Para 8.28 ).

256. We, therefore, recommend that a provision should be made in the Act on the lines of section 253 of the Income Tax Act that the Commissioner may, if he objects to any order passed by the Appellate Assistant Commissioner, direct the Sales Tax Officer to appeal to the Sales Tax Tribunal against the order ( Para 8.28 ).

257. As a consequence of the recommendations made above, the powers of the Commissioner under *suo motu* revision require to be limited. We, therefore, recommend that a provision should be made in the Act on the lines of clause (4) of section 264 of the Income Tax Act that the Commissioner of Sales Tax shall not revise any order under section 57 of the Bombay Sales Tax Act in the following cases :—

(a) Where an appeal against the order lies to the Appellate Assistant Commissioner or to the Sales Tax Tribunal but has not been made and the time within which such appeal may be made has not expired or in the case of an appeal to the Sales Tax Tribunal the dealer has not waived his right to appeal ; or

(b) Where the order is pending in an appeal before the Appellate Assistant Commissioner ; or

(c) Where the order has been made the subject of an appeal to the Sales Tax Tribunal ( Para 8.28 ).

258. It should also be added that for the purposes of this section, the Appellate Assistant Commissioner shall be deemed to be an authority subordinate to the Commissioner of Sales Tax ( Para 8.28 ).

259. As Deputy Commissioners of Sales Tax are fairly senior officers and as the law gives option to the dealer to file second appeal either before the Sales Tax Tribunal or before the Deputy Commissioner of Sales Tax, we do not think any change in the present position regarding the stage of second appeal or regarding independence of the Deputy Commissioner hearing second appeals, appears to be necessary (Para 8.28).

260. If the dealer desires that recovery should not be proceeded against him by coercive measures during the pendency of appeals, he should approach the appellate authorities for grant of stay during the pendency of appeals. There is already a remedy existing under section 38 of the Act under which the Commissioner or appellate authority has power to extend the date of payment or to allow the dealer to pay the tax or penalty by instalment, and the dealer can approach either Commissioner or appellate authority for stay. This provision is adequate and we do not agree that the power to extend the date of payment or to allow instalment should vest only in the executive authority ( Para 8.29 ).

261. We, however, emphatically recommend that the present section 55 should be amended so as to enable appellate authority to hear appeals without making payment as a condition ( Para 8.29 ).

262. We think that no appeal need be provided against mere issue of notice as otherwise it would lead to multiplicity of litigation. The rights of the parties are not affected by mere issue of notice ( Para 8.30 ).

263. We feel that on similar ground no appeal need be provided against an order pertaining to the seizure etc. or an order sanctioning the prosecution as there will be no finality against such orders which *per se* do not affect the rights of the party adversely ( Para 8.30 ).

264. We therefore do not see any justification for making a provision in the Act for passing an order of liability or determining liability and for provision for an appeal against such orders ( Para 8.30 ).

265. We do not agree that provisions for appeals need be made against an order of composition, as in our view such a provision would defeat the very purpose. Composition is sort of acquiescence by a party to a course of action and in no other legislation composition is to our knowledge, subject to right to appeal.

266. We do not think that in Sales Tax, there is need for review on the ground of discovery of new and important matter or evidence which after the exercise of due diligence was not within the knowledge of the dealer or could not be produced by him at the time when the order was passed. We do not find that provision of review exist in any of the Act relating sales tax beyond the power of rectification. In view of this we do not suggest any modification in the present position under the Act ( Para 8.31 ).

267. We think that looking to the importance of the administration of Sales Tax Law, the office of the President and Members of the Tribunal should be held by persons of high status and repute ( Para 8.32 ).

268. We think that the Tribunal should consist of judicial and accountant members and a person who has been a District Judge or is qualified for appointment as District Judge and has held judicial office for not less than 10 years or is a Chartered Accountant and has practised as such for not less than 6 years or who has been in practice as an advocate for at least 10 years or has served in the Sales Tax Department in a post not lower than of a Deputy Commissioner of Sales Tax for at least 6 years or has experience of taxation matters, having held post of a high executive in a Commercial or industrial concern, should be qualified to hold a post as a member ( Para 8.32 ).

269. A provision is made in the Act that a person who has been removed or dismissed from Government service is not qualified to be enrolled and save for this, we see no reason why any officer of the Sales Tax Department who possesses the prescribed qualifications like any other and is eligible for enrolment should not be enrolled.

270. As for disciplinary control over the members of Sales Tax Practitioners' Association we suggest that the Associations may consider to have its own constitution for controlling activities of their members and should consider disciplinary action on the lines of Chartered Accountant Association or Bar Council Association and the Government should make arrangement to give recognition to the constitution of such association if it approaches the Government ( Para 8.33 ).

271. Looking to the growing importance of a number of State taxes, and need for co-ordinated taxation policy and also for uniform and integrated implementation of taxation laws, need for setting up a Board of Revenue in the State is obvious. Since we have recommended earlier that the Appellate Assistant Commissioners should be under the administrative control of the Board of Revenue, this will be ensured if a Board of Revenue, is constituted to exercise administrative control over cadre of Assistant Commissioners. We therefore recommend that State Government may consider constituting a Board of Revenue in the State ( Para 8.34 ).

## CHAPTER NINE

### *Hardship to Dealers*

272. Although penalty is provided in section 36(1) for breach of certificates, if failure to act in the terms of recitals of the certificate issued by the dealers are for *bonafide* reasons which the dealer could not reasonably anticipate, liberal view should be taken and no penalty need be levied. For variations in respect of contravention exceeding 15 percent of the purchase value of goods, the department is following a liberal policy which should be continued ( Para 9.02 ).

273. Our attention has been drawn to provision contained in section 36(2) (b) under which regular dealers who furnish all returns for assessment year in time, are liable to penalty if they do not respond to the notices in form No. 27, while irregular dealers or defaulters covered by section 33(5) and 33(6) are left out from the penalty caluse. This being an anomalous position, we recommend that clause (b) of sub-section(2) of section 36 may be deleted ( Para 9.02 ).

274. We, therefore, recommend that the penalty caluse should be clearly drafted to avoid levy of penalty for difference in payment of tax and the tax assessed, on account of genuine and bonafide reasons ( Para 9.02 ).

275. We, therefore, further recommend that a provision should be made in such cases that penalty under section 36 (3A) to be levied in assessment order shall not be calculated for a period of more than 18 months ( Para 9.02 ).

276. Although there is discretion to levy penalty less than Rs. 100 or double the amount, the possibility of levying double the amount of the bill if it is higher than, Rs. 100 cannot be ruled out and such amount of penalty would operate hardship. We

therefore, recommend that the penalty clause (4) in section 36 should be amended to provide for quantum of penalty at Rs. 10 per bill or cash memorandum or up to 10 percent of the bill which ever is more ( Para 9.02 ).

277. We, therefore, think that forfeiture, which in essence is a penal provision, should be levied by way of penalty by an amount equivalent of the amount which has been unauthorisedly collected or collected in excess, and recommend that the provisions regarding forfeiture and penalty should be amended accordingly ( Para 9.02 ).

278. We suggest that until the present provisions are amended, before forfeiting the amount an opportunity should be given to the dealer to refund the amount to the person from whom it is collected within one month after the assessment order ( Para 9.02 ).

279. As levy of surcharge is a recognised trade practice to recoup the dealer of the tax and other charges paid on purchases, we suggest that where the amount is shown as surcharge and not by way of collection of tax under the circumstances, described above, such amount should not be forfeited and law may be amended accordingly ( Para 9.02 ).

280. We think that the scope of prosecution in certain respects requires to be restricted and even where provision for prosecution were to exist, prosecution should not be resorted to as a rule ( Para 9.03 ).

281. We think that a distinction can be drawn between failure to get registration due to negligence, ignorance and such other bonafide reasons and due to a malafide failure to get registration or intentionally avoiding registration with a view to avoid payment of tax or to defraud State Revenue. In the former type of cases, contravention should not be treated as an offence. In the later type of cases, contravention may be continued to be treated as an offence ( Para 9.03 ).

282. Failure to present document, in our view, be attended with penalty only and should not be treated as an offence (Para 9.03).

283. We recommend that failure without sufficient cause to furnish any return should be attended with penalty under section 36 only and should not be treated as an offence (Para 9.03).

284. We think that mere failure without sufficient cause to furnish any information should be attended with penalty under section 36 only and should not be treated as an offence (Para 9.03).

285. We therefore, recommend that clauses (c) and (d) in section 30 should be deleted (Para 9.03).

286. Unauthorised collection or excess collection is attended with penalty under section 37 by way of forfeiture and we do not think that a separate provision for prosecution should exist (Para 9.03).

287. We, therefore, recommend that clause (h) in section 63 (1) should be deleted (Para 9.03).

288. While we think that failure to keep accounts or records in accordance with the direction, would amount to flouting the authority and should in our opinion be continued to be treated as an offence, we do not see any sound reason for mere unintentional failure to keep true accounts to be treated an offence. We, therefore, recommend that failure to keep true accounts of the value of goods bought or sold by a dealer should be attended with penalty under section 36 only and prosecution need not be resorted to except in cases of intentional failure (Para 9.03).

289. In our opinion, if the accounts etc. produced are false or information furnished is false, prosecution may be justified. We, therefore, recommend that the word 'incorrect' should be replaced by the word 'false' (Para 9.03).



290. We, however, would like to emphasise that prosecution in such circumstances should remain as ultimate sanction and offences which are technical and do not involve moral turpitude should be attended by departmental penalty and in other cases also composition should be offered and prosecution ordered as a last resort (Para 9.03).

291. We, therefore, suggest that the discretion vested in the officers should be used discretely in such cases and the amount to be offered as composition in lieu of prosecution should be reasonable looking to the circumstances of each case (Para 9.04).

292. Although we do not suggest that pre-audit should be dispensed within the interest of revenue, where higher amount of refund is involved, we suggest that such cases should receive priority and records should be sent back after pre-audit within a period of 2 months and assessment order along with the refund order should be passed (Para 9.06).

293. We recommend that in all the cases involving refund, payment of refund should be made to a dealer within three months from the date of order. We also recommend that interest should be paid for delayed refund. And for this purpose, we suggest that a statutory provision should be made that where an amount required to be refunded by the Commissioner to any person by virtue of order issued under the Act is not refunded to him within 90 days from the order, the State Government should pay such person simple interest at  $4\frac{1}{2}$  percent per annum on the said amount from the date immediately following the expiry of the period of 90 days to the date of the refund. If the delay in granting the refund within a period of 90 days is attributable to the dealer, whether whole or any part of the period of the delay attributable should be excluded from the period for which interest is payable. We also suggest that a provision should be made that if any question arises as to the period to be excluded for the purposes of calculation of interest, such questions should be determined by the Commissioner whose decision should be considered final (Para 9.06).

294. We recommend, therefore, that the dealers should be persuaded and encouraged to make use of documents which are prescribed to create facilities to them and if in any case no documents are obtained or are made use by a dealer, the grant of set-off should be provided by way of a discretionary provision in section 42 of the Act and no elaborate rules should be enacted for the purpose (Para 9.07).

295. We think that distinction should be made between dealers who do not get registered with deliberate and mala fide intention and who have not obtained registration with an intention to defraud Government Revenue and the dealers who fail to get registration through bonafide misunderstanding (Para 9.08).

296. We recommend that time limit should be placed for back liability. (Para 9.08).

297. Where the Commissioner has reason to believe that the dealer has not obtained registration with a deliberate and *mala fide* intention or with intention to defraud the Government revenue, it should not go beyond 8 years (Para 9.08).

298. In any other cases, not beyond 4 years, of the beginning of the financial year in which the notice under section 33 (6) is issued (Para 9.08).

299. We recommend that Government should continue the policy of issuing executive concessions on the above analogy. Should however, there exist any legal doubts about the authority of the Government to issue such extra statutory concessions, we recommend that law should be amended to vest power in the Government to grant concessions in cases of double taxation or in inequitable situations (Para 9.09).

300. We recommend that the Public Relation Officer should be charged exclusively with all the functions pertaining to public relations and should be relieved forthwith of any other duties with which he is saddled. We further recommend that the functions to be discharged by the Public Relation Officer should be clearly defined and that the office of the Public Relation Officer should be held by a smart and active officer who possesses proper aptitude for such work (Para 9.11).

301. He should be in charge of supplying information and guidance to the dealers. The growing complexity of law requires on one hand dissemination of information regarding provisions of law, correct interpretation etc., while on the other hand the dealers are required to be educated in the fulfilment of their tax liability and in compliance with the various provision of law (Para 9.11).

302. He should be in charge of publicity of provisions of Act and Rules, important amendments from time to time and departmental circulars affecting the dealers. He should promptly issue informal clarifications on routine queries posed by the dealers, and should see that dealers seeking clarifications on matters with which he cannot deal are receiving prompt replies from competent authorities (Para 9.11).

303. Complaint boxes are kept in all Sales Tax Offices. The Public Relation Officer should see that complaints received in the boxes are promptly attended to by the officers concerned and he should report delays in dealing with any complaint to the Commissioner of Sales Tax. In the office of the Commissioner of Sales Tax he should be in the charge of all complaints received in Commissioner's office and should see that complaints are dealt with expeditiously and grievances of the dealers are redressed (Para 9.11).

304. He should visit the office in the mofussil and should see that proper facilities and amenities are provided in all offices (Para 9.11).

305. He should keep vigilance over delays of refunds and other claims by dealer through his visit to offices, through the complaints received from dealers and through the medium of dealers' associations (Para 9.11).

306. He should function as a Liaison Officer between the department and all external organisations, associations and other departments of Government. He should maintain close liaison with the leading Chambers of Commerce and dealers' associations to acquaint himself with the general difficulties and grievances of the dealers and should seek redress of such grievance and removal of such difficulties by taking them up with the appropriate authorities (Para 9.11).

307. We do not agree that there should be a Public Relation Officer at each district headquarter as we think each Sales Tax Officer should take upon himself the responsibilities of good public relations for his own office. A number of officers in charge of Public Relations may tend to deprive the other officers of the initiative and the aptitude which they should exhibit in their day to day dealings with the dealers. However, as there are large number of Sales Tax Officer's offices and as the working of the department is decentralised, we recommend that a Public Relation Officer should be appointed for each division in addition to the Public Relation Officer working in the office of the Commissioner of Sales Tax. We also recommend that the Public Relation Officers shall be directly responsible to the Commissioner and they should be enabled to function effectively (Para 9.11).

308. While, therefore, we recommend that the practice of giving informal opinion should continue, issue of bulletins should also be restarted as such bulletins will contain important interpretation or clarification of a general nature which will be available to the dealers for their benefit (Para 9.12).

309. In order to acquaint the dealers with the full version of the Act and Rules, Publicity should be made by insertion of paid advertisements in the news papers, wherever necessary (Para 9.12).

310. We, therefore, suggest that either a quarterly or monthly bulletin should be issued by the Sales Tax Department containing all such important material, which need be brought to the notice of the dealers or should be printed in a separate part of the Gazette to which dealers' associations, practitioners' associations and individual dealers can subscribe (Para 9.12).

311. We recommend that the department should have a programme of building its own offices in all district, headquarters. Wherever Government buildings are

available, adequate accommodation should be provided to accommodate at one place all the Government offices which are sitting in different buildings even in the same city. Where Government buildings are not available, accommodation must be secured in a hired building in a locality convenient to dealers. In all buildings, arrangements should be made for waiting space for dealers and practitioners. Accommodation should be so provided, if needs be by revising the scale of accommodation that adequate space is kept between inspectors sitting in the same room in order to maintain secrecy at the time of verification. Cubicals or partitions should be provided to maintain secrecy. We also recommend that in cities with population of 50,000 and above, Chambers for practitioners' associations should be provided in a building where all or largest number of local offices are housed. It will be a great facility to dealers, if a public telephone is provided in big cities in the building of the Sales Tax Office or in the vicinity. If there is no facility for such a public telephone, use of telephone on payment should be considered for dealers, and their representatives and sales tax practitioners who visit the offices, subject to restriction of hour during which telephone will be made available or on such reasonable conditions (Para 9.13).

312. In view of the difficulties of holding offices in the rest houses, the department should consider opening of new offices, where justified or holding camp offices in separate Government or hired buildings, where frequent camps are necessary. (Para 9.13).

313. However, as the functions of the Department are decentralised and as there are Divisional Deputy Commissioners of Sales Tax at Ahmedabad, Baroda and Rajkot, it will be useful to constitute Advisory Committees at Divisional level (Para 9.14).

314. We, therefore, recommend that besides the Sales Tax Advisory Committee at the State level, Divisional Advisory Committees should also be constituted. The Commissioner of Sales Tax should function as Chairman and the Deputy Commissioner of Sales Tax in charge of the division should function as Member Secretary to such committee. We also suggest that atleast one member coming from a particular division of the State level committee should represent at the Divisional Advisory Committee. The Sales Tax Advisory Committee at the State level as constituted at present is unwieldy and we think that its size should be kept limited in order that it can function effectively. We also suggest that the size of the Divisional Advisory Committee should be kept small ( Para 9.14 ).

315. We suggest that Regional conference may be held once in a year in each Division where the officers from the department and representative of the responsible dealers' association and Sales Tax Practitioners' Associations may discuss common problems of administration which are of concern to the department and the class of dealers. Exchange of viewpoint at such conferences may help to remove misunderstandings or mistrust which exists for lack of information or proper viewpoint on many matters ( Para 9.15 ).

316. Publicity to rouse consciousness for payment of tax by appeal to sense of patriotism alongwith publicity on achievements of plans and need for small savings efforts will go a great way in removing apathy towards taxes and in securing better co-operation of the tax-payers in levy and collection of sales tax (Para 9.15).

317. We suggest that the department should publish pamphlets in simple language intelligible to small dealers, explaining the requirements for compliance by each class of dealers, manner of filing returns and forms and the simple manner in which the dealer could comply with requirements, as such literature will help the small dealers to understand the requirements of the law in simple language and in a simple manner and will help the administration also. (Para 9.15).

318. A close liaison between the department and these publishing media will help in making these publications more comprehensive and useful and will help considerably in educating the paying dealers on many matters of vital importance ( Para 9.15 ).

## CHAPTER TEN

*Control of avoidance and evasion of tax*

319. We suggest that vigilance cell in all such departments should be established, arrangements should be made to quickly pass on the information to special vigilance officer who should deal with information received from any other department and officers in charge of vigilance of all such departments in the State or in the Region should meet frequently exchange information and devise ways and means for concerted action (Para 10.03).

320. We think that the *modus operandi* adopted by dealers from time to time should be studied by a special vigilance and research unit and effective measures should be evolved and employed to avoid evasion of tax. However, when actual evasion is noticed to have arisen out of practice adopted by any dealer, the machinery must ruthlessly act (Para 10.04).

321. We, however, would agree that anonymous complaints should not be encouraged as a dependable source of information in all cases and there should be a positive approach to discourage anonymous applications. We suggest that it should be made widely known to the public that any person who possesses any information about malpractices adopted by a particular dealer or information which may lead to detection of evasion can approach the Public Relation Officer or an officer who may be designated for the purpose by the Commissioner, and disclose all the information in his possession without hesitation or without fear of his name being disclosed. An assurance should be publicly given that all such information disclosed before Public Relations officer or any other officer will be treated as secret; that quick action will be taken on the information furnished, if such information is *prima facie* found reliable; that the name of the person disclosing information shall not be disclosed if he so desires; and that the result of inquiry will be made known to him (Para 10.06).

322. So long as people do not develop courage and do not openly come forward and so long as the department also does not come forward with positive approach to willingly help persons who out of sense of public spirit want to co-operate with the department's efforts to deal with evasion, any source of credible information, may not be easily discarded (Para 10.06).

323. We, therefore, recommend that only such complaints which are made against dealers by name or in which acts of suppression or specific malpractices are alleged or which disclose a certain racket or malpractices on large scale in a general way by dealers engaged in an area or in a class of business entertained and no other anonymous applications should be entertained at all. We also recommend that the department should adopt a positive approach to discourage anonymous applications by setting up alternative machinery to receive and investigate complaints by name of the person. This will go a long way in inspiring confidence of the public in Government machinery and will also provide safeguard against the machinery to be misused or exploited by unscrupulous dealers who want to harm or harass honest dealers (Para 10.06).

324. On the contrary, we feel that co-operation of dealers and their associations in collection of useful intelligence from various sources will greatly strengthen the activities of the department which aim at dealing with dishonest practices which should also be the aim of honest tax-payers and the association of dealers which seek to protect the interest of honest tax-payers (Para 10.07).

325. We suggest that a programme for survey should be notified in advance and the dealers in the areas to be surveyed should know in advance the purpose and programme of survey. The associations of the dealers should also extend their co-operation in securing willing co-operation of the dealers in the areas to be surveyed. We also suggest that timely action should be taken after collecting information for ledgerising of entries cross checks and follow up action (Para 10.08).

326. The co-operation from Railway authorities should be sought for collecting information of consignors, consignees and the persons who take delivery of the goods

and also addresses of such persons. For this purpose arrangements may be made in consultation with the railway department for maintenance of such bare information as may be made available from their existing records (Para 10.10).

327. We suggest that co-operation of the Corporation and the Municipalities may be sought for concerted vigilance measures at Octroi Nakas which may be found useful in the interest of revenues of the State and the local bodies (Para 10.10).

328. We think that such check posts would not serve any useful purpose but may only provide a source for corruption and harassment to dealers. We think, on the other hand, that if details could be collected and passed on to the neighbouring State by exporting States about the dealers, goods exported destination and the names of the purchasers, such an arrangement arrived at between neighbouring States may prove useful (Para 10.10).

329. We have examined the provisions in the Act and we do not think that the powers regarding search or seizure are excessive (Para 10.11).

330. We think that these are sufficient safeguards against arbitrariness of the provisions and misuse of powers by the officers. While, therefore, we recommend that such powers required to be continued in the interest of effective administration. With a view, however, to prevent harassment to dealers arising out of exercise of such powers by indiscreet officers, we suggest that in following the procedure, in conducting search and seizure, due regard should be had to the safeguards as under:—

(a) Visits accompanied with search or seizure should be made by an officer not lower in rank than the Sales Tax Officer and who has been specifically delegated such powers under the Act.

(b) Powers for search or seizure should be delegated to such officers only who on account of experience and proved ability are capable of exercising such powers in a sound and discreet manner.

(c) Visits should be so arranged that as far as possible at least two officers simultaneously accompany.

(d) The empowered officer before carrying out search or seizure must have reasonable grounds, for believing that anything necessary for the purpose of recovery of tax may be found in any place within his jurisdiction; he must be of the opinion that such thing cannot be otherwise got without undue delay; he must record in writing the grounds of his belief; and he must specify in such writing so far as possible the thing for which search is to be made.

(e) Search should be carried out during business hours as far as possible and there should not be any show or advertisement of a raid; search, seizure or any other enquiry should be conducted in a decorous manner; and provisions of the Code of Criminal Procedure should apply as far as may be applicable under the provisions of the Sales Tax Law.

(f) The dealer must be invariably given one copy of the note on inventory made by the officer.

(g) Seizure of books of accounts should be made in respect of such books as are necessary as supported by reasons given and such books must be examined and returned as early as possible. If such books are required to be retained further, reasons for such retention should be given and while sanctioning further retention, the retention authority shall satisfy himself about the reasons for further retentions. Any retention beyond a period of twelve months from the date of seizure shall be under the order of the Commissioner only (Para 10.11).

331. We suggest that the present procedure of investigation should be substantially modified in order that the proceedings in the cases in which books are seized are finalised expeditiously. The officers should not go for cross-checking for a number of years at a time but cross-checking of a special period of 6 months to 12 months may

be directed to be taken and further checking may be taken only if found necessary. The officers themselves must carry out pre-checking in absence of the dealers with reference to the seized books of accounts and prepare detailed note giving points and items on which detailed checking will be done. A specific time-limit should be given for completion of verification of cross-checks. As soon as cross-checks are sufficient to establish liability, notice for assessment should issue and further liability may be established in course of assessment proceedings on the available material (Para 10.12).

332. We suggest that all steps should be taken to complete the proceedings in such a way that the books can be returned within 12 months from the date of seizure in all cases as far as possible and for that purpose, if more staff is necessary at some places, assistance of additional staff may be considered to deal with the cases in arrears (Para 10.12).

## CHAPTER ELEVEN

### *Administration*

333. We, however, suggest that in view of the increasing responsibilities of the Commissioner under the Sales Tax Act and the increasing work-load in his office, the Commissioner should be assisted at least by two officers of the rank of Deputy Commissioners, one of whom may look after administration and the other may attend to legal side (Para 11.03).

334. There are four Government Agents in the Court Branch of the Commissioner's office, two of the rank of Assistant Commissioners and two of the rank of Sales Tax Officers. As Government Agents have to defend the orders passed by the Assistant Commissioners before the Sales Tax Tribunal, we think that all Government Agents should be officers of the rank of Assistant Commissioners (Para 11.03).

334.(a) We suggest that the post of Commissioner of Sales Tax should be upgraded like the post of Commissioner of Industries or the Development Commissioner and should be held by an officer in super time-scale of the Indian Administrative Service.

335. We think that there is need to reorganise the existing ranges on the basis of the number of offices, number of officers, audit and inspectorial work arising out of the number of dealers to be managed, nearness of districts from the headquarters and convenience of communications from the point of view of the administration and the dealers. So far as city of Ahmedabad is concerned, it is already a heavy range. With the growing population and expansion of industry and commerce, city of Ahmedabad is going to remain mainstay of revenue from Sales Tax. We suggest that there should be two Assistant Commissioners for Ahmedabad city alone and there should be functional divisions of work, one Assistant Commissioner to look after registration, returns and enforcement and the other to look after functions of assessments and collections only (Para 11.04).

336. We do not however, consider it necessary to have separate functional Assistant Commissioners for other functions. Assistant Commissioners in charge of administration of ranges cannot function effectively if they are diversified of functions of audit; enforcement and vigilance which are integral to their functions of supervision, inspection and general control (Para 11.04).

337. We suggest that except the functions of appeal, no other functions should be separated and in reorganisation of territorial ranges, regard should be had to functions of audit, enforcement and vigilance work alongwith supervision, inspection and general control and the ranges should be so formed that the Assistant Commissioner in charge of each range is capable of functioning effectively in respect of all these various administrative functions (Para 11.04).

338. We have considered the need for strengthening the audit in subsequent paragraphs but we do not think that separate functional Assistant Commissioners for audit are necessary and we do not see place for separate functional Assistant Commissioners for audit in future reorganisation of ranges (Para 11.05).

339. We find that at the level of Sales Tax Officers, the units have been created from time to time on *ad hoc* basis.

340. We suggest that the charges should be re-distributed so as to provide direct service to dealers by locating Sales Tax Office in a town with population exceeding 50,000 (Para 11.05).

341. We suggest the Sales Tax Offices should be located in the district headquarters in every district (except Dangs and Ghandhinagar) (Para 11.05).

342. We do not think this to be an insurmountable difficulty and suggest that steps should be taken to locate Sales Tax Officer's office at the district headquarters for the convenience of the local dealers and the dealers of the district (Para 11.05).

343. We suggest that for administrative convenience, jurisdiction of Sales Tax Officers should be co-terminous with revenue districts (Para 11.05).

344. We think it will be advantageous to remove this anomaly and make charges of Sales Tax Officers co-terminous with revenue districts (Para 11.05).

345. We suggest that on the basis of experience, administrative feasibility and need for catering the needs of the dealers, norms can be laid down for a viable unit of Sales Tax Officer's office and such norms should be followed in sanctioning new units in future.

346. We do not think that any hard and fast rules should be followed in this matter. There are functional units like registration and returns, recovery and enforcement in Ahmedabad city. We suggest that as a measure of future reorganisation functional units on the lines of Ahmedabad city may be considered for cities with population with more than two lakhs only, where separation of functional units is found administratively convenient. We suggest that where there are no separate functional units of Sales Tax Officers, the work of administration, enforcement and assessment may continue to be distributed according to the administrative convenience as at present (Para 11.05).

347. We think that all these measures will dispense with the necessity of increasing the staff of inspectors and officers for every rise of increase in the number of dealers. We think that considerable simplification suggested by us will lead to economy in administration and it will be possible for the administration to concentrate more on revenue yielding cases or enforcement and vigilance measures and tightening the administration in all directions.

348. We suggest that inspections should really work as control mechanism. During inspection of Sales Tax Offices, the inspecting officer should particularly examine delay in registration and documents, delay in assessments, errors in assessment orders, delay in refunds exercise of discretionary powers, steps taken for collection of tax, measures taken for enforcement and vigilance and follow-up action and such other matters where working of the subordinate offices can be exposed to searching scrutiny (Para 11.06).

349. The inspection should also be broadly confined to organisation and method for streamlining the procedure and for smooth and efficient working in the offices. We also suggest that the inspections should be constructive where not only errors are pointed out but suggestions are also made for removal of errors and improvement in procedure and practices so as to eliminate chances of error in future. The inspecting officer should be friend, philosopher and guide, who, besides checking delay and errors in performance, will provide guidance and inspiration to subordinate officers in increasing their efficiency and for promotion or better discipline (para 11.05).

350. We suggest that not less than 10 percent of the cases in each office of the assessing officer should be audited fully by the departmental agency concurrently every month and strengthening of the machinery should be considered from time to time so that the coverage of the cases to be taken in full audit does not fall below 10 percent at any time (Para 11.07).

351. The quality of audit should be improved so that it becomes more purposeful, constructive and guiding to the officers. In order to achieve this, audit should be done by officers who are senior in rank than those whose cases are being audited (Para 11.07).

352. Audit reviews should be systematically prepared to prevent recurrence of errors committed by assessing officers and noted by audit (Para 11.07).

353. We would like to emphasise that audit is one of the regular functions of the Assistant Commissioners in charge of administrative ranges and we do not favour separate functional Assistant Commissioners for audit. If the present administrative ranges are required to be made smaller, in order to ensure performances of all the functions including audit efficiently and effectively, reorganisation of the administrative ranges may be considered (Para 11.07).

354. We think that the concurrent audit by the department would yield better results and would serve a better check on the assessment order passed. We have recommended strengthening of departmental audit and we suggest that Accountant General's audit should be withdrawn (Para 11.08).

355. We suggest some special units to be sanctioned or present units to be reconstituted for disposal of old cases and suggest that the charges of enforcement units are so organised that all the stages of investigation, assessment, penal actions etc. are completed within one year in each case. We do not favour separation of enforcement officers at all places but enforcement work may be separated wherever the amount of work is justified on permanent basis. We would like to emphasise that enforcement activities should not be confined to investigation of complaints only but should be completely re-oriented so as to have complete dovetailing and liaison with assessing units, survey units and vigilance sources so that the enforcement may prove most effective (Para 11.09).

356. The officers to be appointed in enforcement units should be selected on the basis of their experience, aptitude and special flair and insight into the type of work. We suggest that looking to the special and arduous nature of duties, officers working in the enforcement units should receive special pay (Para 11.09).

357. We do not envisage separate units for vigilance work only but need for co-ordination of vigilance activities has to be emphasised. We have recommended Research Cell to be established in the office of the Commissioner or in the Finance Department which will yield closer collaboration for collection, analysis and study of data collected by vigilance and statistical branches. We suggest therefore, the need of appointing a Director of Vigilance of the rank of Assistant Commissioner of Sales Tax in the office of the Commissioner who should be in charge of vigilance and the statistical cell and should work as liaison between the vigilance and statistical branch on one hand and the research unit on the other. A Director of this status will be in a position to give technical advice and guidance regarding methods of examination of accounts, types of suppressions noticed, modes of evasion adopted and various other matters which would provide a check on evasion and corruptive practices in the department (Para 11.11).

358. We think that although good deal of co-ordination exists, recovery machinery requires to be geared up and tightened. In view of the expansion of the department, growing number of assessment and consequent rise in demand raised, it becomes necessary to closely watch and pursue the work of special recovery officers. We suggest the need for appointment of an officer of Mamlatdar's rank in the office of each of the Deputy Commissioners in charge of Divisions. Special Deputy Collector for recovery would be relieved to that extent of heavy touring in every part of the State and he will be in a position to supervise and co-ordinate the work in a more efficient manner (Para 11.12).

359. Statistics are a vital instrument of administrative control and policy making and need for properly compiled and interpreted data in a department like sales tax cannot be overemphasised. (para 11.13).



360. We find that not only the Cell is required to be strengthened for better and timely collection and compilation of data but also a great deal of improvement is necessary in the method of collection of data (Para 11.13).

361. We find that improvement is necessary at the primary reporting source *i. e.* in the Offices of Sales Tax Officers and at the processing source *viz.* the Bureau of Economic and Statistics. We have noticed that speed of collection of data at the primary source has a limitation because of the procedure followed in obtaining the information from the final returns of registered dealers (Para 11.13).

362. We suggest that a speedier method may be explored even at the cost of a little refinement. We also suggest the need for revising the Schedules so as to minimise the commodities for turnover data without losing the utility. We also suggest that compilation and tabulation of Data in the Bureau should be expedited by use of computers (Para 11.13).

363. We suggest for closer and frequent co-ordination between the Sales Tax Department and the Bureau of Economics and Statistics for ensuring speed in the back process, accuracy in collection and compilation and reviewing the survey tables according to the requirements from time to time (Para 11.13).

364. We, therefore, suggest that a permanent Research Unit may be set-up in the office of the Commissioner of Sales Tax or in the Finance Department with view to remove this handicap (Para 11.14).

365. A Research Unit on the lines proposed by us may take up studies of the above problem on hand from time to time. It can also study problems of following nature. *viz:*—

(1) *Evasion*.—Estimates of production of important agricultural commodities may be collected and after making allowances for seed and wastage, non-monetised consumption, etc., may be compared with actual turnover assessed in order to estimate extent of evasion.

(2) *Modus-operandi of evasion*.—Case studies may be undertaken of typical cases of suppression, concealment of tax and types of irregular or suppressed accounts to discover *modus-operandi* adopted for evasion of tax.

(3) *Diversion of trade*.—Data should be collected and studied as to in what commodities and classes of trade the diversion takes place and reasons may be explored.

(4) *Organisation of trade*.—Studies may be undertaken for organisation of trade in different commodities and in different district or in areas in order to locate convenient points for Sales Tax levy.

(5) *Incidence of taxation*.—Data may be collected and analysed to study shifting of tax burden. If the burden *i. e.* reduction in real income of the consumer or the producer can be assessed, it may become easy to take decision regarding changes in the rates of tax *i. e.* incidence in a more scientific manner.

(6) *Rates of tax*.—A study of price spread in different categories of commodities between manufacturers, wholesalers, semi-wholesalers, registered and unregistered dealers may be undertaken to determine margin of profit which it may become easy to mop off, by imposing higher rates of tax (Para 11.14).

366. Although there exist rules for recruitment and for promotions at all levels, which appear to be satisfactory, we find that there is no advance planning (Para 11.17)

367. We think that these grievances need to be looked into quickly and sympathetically (Para 11.18).

368. We, therefore, suggest that special consideration should be made in allotment of Government accommodation to the personnel in the Sales Tax Department

and if no adequate Government accommodation is available, the Government should allot funds for construction of residential quarters for employees in the Sales Tax Department ( Para 11.19 ).

369. With the expansion of the department at a faster rate in recent years and consequent new recruitment and promotions on a comparatively larger scale, need for a comprehensive training programme for the Sales Tax Department has become inevitable ( Para 11.20 ).

370. This indicates that the turnout of the training is not satisfactory. ( Para 11.20 ).

371. We think that the training facilities are very inadequate and training programme requires to be improved in both content and coverage. Output of trainees has to be stepped up to make up a wide gap of untrained personnel in the department. We suggest that following measures may be considered for improvement in the training programme.

(1) There shall be a full time Principal for the training school who should be an officer of the rank of Assistant Commissioner.

(2) The Principal should be assisted by atleast three full time lecturers, who should be senior experienced Sales Tax Officers with good academic record and a bias for training.

(3) The training school should be housed in a suitable building having proper environment for education and training and hostel facilities for the trainees who mostly come from outside, should be provided in or near the premises of the school.

(4) Adequate grants should be sanctioned for purchases of books in the library, subscribing journals and for other activities and also for other facilities and amenities in and outside the class room, during the training period ( Para 11.20 ).

372. We suggest that besides inservice training, preservice training should also be arranged in the school for candidates who are directly recruited in the service. The inservice training should be made more comprehensive and should have a practice bias. The preservice training on the other hand should be more detailed and stress should be laid on theoretical study of Sales Tax Act, Rules, procedures and other administrative matters. We suggest the need of including the subject of Public Finance and Taxation and study of comparative tax systems and Taxation Laws in the training programme of the Sales Tax Officers ( Para 11.20 ).

372. (a) It should be impressed that the Department is firm in taking action against those who are corrupt ( Para 11.21 ).

373. In order to maintain efficiency and integrity in these cadres of services, it is necessary that personnel who do not acquit themselves creditably or whose integrity is not above board should be weeded out or reverted as the case may be ( Para 11.22 ).

374. It also follows that while unsuitable persons should be weeded out, persons with outstanding merit should be rewarded ( Para 11.22 ).

375. We further suggest scheme of group incentives for outstanding work done or outstanding performance in the field of assessments, recoveries, detection of suppressed tax etc. by a unit of Sales Tax Officers assisted by their inspectors whose combined efforts have contributed to any such outstanding achievement ( Para 11.22 ).

The concern of the Government for the welfare of its employees is directly calculated to improve the morale of the personnel in the department and this by no means is a less important aspect ( Para 11.23 ).

A departmental council for the Sales Tax Department has been constituted and we wish to emphasise that the machinery of the council should be utilised to establish better relations and to consider questions of common concern of the department and its employees ( Para 11.23 ).

MALDEVJI M. ODEDRA, *Chairman*,

GANGARAM C. RAWAL.

LILADHAR P. PATEL.

VITHALBHAI P. AMIN.

SURAJRAM H. BACHKANIWALA.

CHANDULAL B. SATIA.

KUNDANLAL J. DHOLAKIA.

RATILAL N. CHITALIA.

NARHAR B. VAZE.

S. M. GHOSH.

—*Members*.

V. R. MEHTA,  
Member Secretary,  
Ahmedabad, 28th June, 1968.



We do not think that it is going out of way, if we wish to place on record our warm appreciation of the manner in which the Chairman has conducted the proceedings of this Committee throughout its deliberations. We are grateful to him for his uniform courtesy and great patience and would take this occasion of recording our unreserved appreciation of his intimate grasp of the Sales Tax and understanding of practical difficulties of the dealers. He has shown high competence and fairmindedness in resolving various complex issues that have cropped up before us. But for the State Government's good fortune in securing his services as Chairman of this Committee, unanimity on vital issues on such a vast subject would not have been possible.

GANGARAM C. RAWAL.

LILADHAR P. PATEL.

VITHALBHAI P. AMIN.

SURAJRAM H. BACHKANIWALA.

CHANDULAL B. SATIA.

KUNDANLAL J. DHOLAKIA.

RATILAL N. CHITALIA.

NARHAR B. VAZE.

S. M. GHOSH.

V. R. MEHTA.

-----



सत्यमेव जयते

## LIST 1

( Para 1.08 )

*List of Associations which have sent their replies to the questionnaire*

Sr. No.	Name of Association	Place
1	2	3
1	Aerated Waters Manufacturers Association	Ahmedabad
2	The Ahmedabadi Bazar Kariyana Merchants Association and The Nadiad Tea Merchants Association.	Nadiad
3	The Ahmedabad Bangles Merchants Association	Ahmedabad
4	Ahmedabad Book Manufacturers Association	Ahmedabad
5	Ahmedabad Builders Association	Ahmedabad
6	Ahmedabad Chemists Association	Ahmedabad
7	The Ahmedabad Chemical Pottery and Silk Manufacturers Association.	Ahmedabad
8	Ahmedabad Chemical Merchants Association	Ahmedabad
9	Ahmedabad Cutlery Merchants Association	Ahmedabad
10	The Ahmedabad Engineering Manufacturers Association	Ahmedabad
11	Agricultural Implements and Fire Wood Association	Nadiad
12	The Ahmedabad Juna Madhupura Ghee Merchants Associa- tion.	Ahmedabad
13	Ahmedabad Metal Merchants Association	Ahmedabad
14	Ahmedabad Mill and Gin Stores Merchants Association	Ahmedabad
15	The Ahmedabad Mill-owners Association	Ahmedabad
16	Shree Ahmedabad Mithai Farsan and Dudhana Vepari Mahajan.	Ahmedabad
17	Shree Ahmedabad Nava Madhupura Vepari Mahajan	Ahmedabad
18	Ahmedabad Paper Merchants Association	Ahmedabad
19	Ahmedabad Radio Merchants Association	Ahmedabad
20	Ahmedabad Stationery Merchants Association	Ahmedabad
21	Ahmedabad Sanitary Merchants Association	Ahmedabad
22	Ahmedabad Tobacco Merchants Association	Ahmedabad
23	Ahmedabad Yarn Merchant Association	Ahmedabad
24	The Ahmedabad Umbrella Manufacturers Association	Ahmedabad
25	Shri Anaj Kariyana Vepari Mandal	Karjan
26	Anjar Merchants Association	Anjar
27	The Anand Gunny Bags and Tin Merchants Association	Anand
28	Shri Akik Udyog Vikas Sahakari Mandal Limited	Cambay
29	Amreli Chamber of Commerce	Amreli
30	Banaskantha Jilla Vepari Mandal	Palanpur
31	The Baroda City and District Sales Tax and Income Tax Practitioners Association.	Baroda
32	Baroda City Ready-made cloth dealers Association	Baroda
33	Shree Baroda Charm Udyog Mandal	Baroda
34	The Baroda District Industrial Co-operative Association Limited.	Baroda
35	Baroda District Iron and Steel Registered Stock holders Association.	Baroda
36	The Baroda Metal Merchants Association	Baroda
37	The Baroda Old Gunny Bags Merchants Association	Baroda
38	Bhanvad Anaj Kariyana Merchants Association	Bhanvad
39	Shri Bhanvad Cutlery Merchants Association	Bhanvad
40	The Bhavnagar Electric Merchants Association	Bhavnagar
41	The Bhuj Chamber of Commerce	Bhuj
42	Bhuj Grain and Seeds Wholesale Merchants Association	Bhuj
43	The Bombay Hessian and Gunny Merchants Association	Bombay
44	Brahad Gujarat Pagarkha Utpadak Karigar Sangh	Ahmedabad
45	Bricks Manufacturers Association	Baroda
46	Broach City Bakery Association	Broach

Sr. No.	Name of Association	Place
1	2	3
47	Shree Broach City Tiles, Stones, Building Materials Merchants.	Broach
48	The Broach Merchants Association ..	Broach
49	Bulsar Chamber of Commerce and Industries ..	Bulsar
50	The Cambay Cloth Merchants Association ..	Cambay
51	The Cambay Jewellers Association ..	Cambay
52	Cambay Mithai Farsan Vepari Mandal ..	Cambay
53	The Cambay Sadi Manufacturing Co-operative Society ..	Cambay
54	The Central Gujarat Chamber of Commerce ..	Baroda
55	Central Gujarat Cotton Dealers Association ..	Broach
56	Charter Accountants Association ..	Ahmedabad
57	The Chemists and Druggists Association ..	Baroda
58	The Cutlery Merchants Association ..	Dhrangadhra
59	Dabhoi Line Cotton Seeds Buyers and Sellers Association ..	Dabhoi
60	Shri Dakor Anaj Telibiya Kariyana Traders Association ..	Dakor
61	Dealers in musical instruments ..	Ahmedabad
62	Dhoraji Chamber of Commerce ..	Dhoraji
63	The Dhoraji Cutlery and Thread Merchants Association ..	Dhoraji
64	The Electrical Merchants and Contractors Association ..	Ahmedabad
65	The Federation of Gujarat Mills and Industries ..	Baroda
66	Federation of Gujarat State Small Scale Soap Industries ..	Baroda
67	The Gandhidham Chamber of Commerce ..	Gandhidham
68	Ganjbazar Vepari Mandal ..	Visnagar
69	Ghee Merchants Association ..	Bhanvad
70	Shree Godhra Khali Bardan Vepari Mandal ..	Godhra
71	The Grain and Seeds Merchants Association ..	Himatnagar
72	Gujarat Arms Ammunitions and Explosive dealers Association.	Ahmedabad
73	Gondal Hotel, Halwai and Lodging Association ..	Gondal
74	Gujarat Contractors Association ..	Ahmedabad
75	Gujarat Glass Merchants Association ..	Ahmedabad
76	Gujarat Rajya Hotel Federation and Ahmedabad Hotel Owner Association.	Ahmedabad
77	Gujarat Rajya Maladhari Sangh ..	Jamnagar
78	Shri Gujarat Rajya Mithai Farsan Manufacturing Vepari Mandal.	Baroda
79	Gujarat Rajya Pagarkhan Utpadak and Vikreta Mahamandal	Ahmedabad
80	Gujarat Re-rolling Mills Association ..	Ahmedabad
81	Gujarat Scientific, Surgical and Chemicals Association ..	Ahmedabad
82	The Gujarat State Bakers Federations ..	Baroda
83	The Gujarat State Sales Tax Officers' Association ..	Ahmedabad
84	The Gujarat State Sales Tax ( Class III Non-Gazetted ) Staff Union.	Ahmedabad
85	Gujarat Vepari Mahamandal ..	Ahmedabad
86	Gujarat Yantrik Krusikar Samaj ..	Rajkot
87	The Ice Factory Owners' Association ..	Ahmedabad
88	Shri Imarati Lakdana Vepari Association ..	Godhra
89	Income Tax and Sales Tax Practitioners Association ..	Broach
90	Income Tax and Sales Tax Practitioners Association ..	Nadiad
91	The Income Tax and Sales Tax Practitioners Association ..	Patan
92	Income Tax Bar Association ..	Ahmedabad
93	Isabgul Manufacturers and Exporters Association ..	Sidhpur
94	Jamnagar Hotel Lodge Owners Association ..	Jamnagar
95	Shree Jamnagar Mithai and Farsan Merchants Association ..	Jamnagar
96	Jamnagar Piece Goods Merchants Association ..	Jamnagar
97	The Junagadh Chamber of Commerce ..	Junagadh
98	Shree Junagadh Grain, Seeds and Sugar Merchants Association.	Junagadh

Sr. No.	Name of Association	Place
1	2	3
99	Kaira District Tobacco Merchants Association ..	Nadiad
100	Kalediya Vepari Association ..	Kalediya
101	Shri Kansara Bazar Metal Merchants Association ..	Rajkot
102	Shree Kansara Metal Merchants Association ..	Morvi
103	Kapad Sutar Association ..	Bhanvad
104	Kapadvanj Taluka Oil Mills Association ..	Kapadvanj
105	Shree Kukarvada Grain and Seeds Merchants Association ..	Kukarvada
106	The Mahuva Chamber of Commerce ..	Mahuva
107	Mahuva Timber Merchants Association ..	Mahuva
108	Shri Mandvi Merchants Association ..	Mandvi
109	The Mehsana Iron and Manufacturing Hardware Merchants Association.	Mehsana
110	The Mehsana Jilla Kandoi Sukhadiya Association ..	Mehsana
111	The Mehsana Jilla Oil Engine Dealers Association ..	Mehsana
112	Mehsana Jilla Oil Mills Mandal and Unjha Oil Mill ..	Unjha
113	The Mehsana Jilla Vepari Mahamandal ..	Mehsana
114	Mehsana Taluka Bricks Manufacturers Association ..	Mehsana
115	Ghee Merchants Association ..	Bhavagar
116	The Mehmedabad Grain and Seeds Merchants Association ..	Mehmedabad
117	The Mithai Farsan Vepari Association ..	Nadiad
118	Modasa Anaj and Telibiya Mahajan ..	Modasa
119	Morvi Chamber of Commerce ..	Morvi
120	Morvi Iron and Hardware Merchants Association ..	Morvi
121	Motor Dealers Association ..	Baroda
122	Mithaiwala Sahayak Mandal ..	Surat
123	Mutton Dealers Association ..	Baroda
124	Nadiad Bakery Association ..	Nadiad
125	The Nadiad Gunny Bags Merchants Association ..	Nadiad
126	Shree Nadiad Hosiery and Ready-made Garments Vepari Mandal.	Nadiad
127	Shree Nadiad Kirana Merchants and Commission Agents Association.	Nadiad
128	Nadiad Lodge and Hotel Owners Association ..	Nadiad
129	Nadiad Metal Merchants Association ..	Nadiad
130	Nadiad Printing Press Association ..	Nadiad
131	Nadiad Radio Merchants Association ..	Nadiad
132	The Nadiad Tobacco Merchants Association ..	Nadiad
133	The Nadiad Vepari Mahajan Association ..	Nadiad
134	Navanagar Chamber of Commerce ..	Jamnagar
135	The Navsari Bakery Association ..	Navsari
136	Navsari Choksi Association ..	Navsari
137	Navsari Kapad Vepari Mandal ..	Navsari
138	Navsari Mithaiwala Association ..	Navsari
139	The Navsari Sales Tax Practitioners Association ..	Navsari
140	Non-powers Soap Manufacturers Association ..	Nadiad
141	The Old Gunny Bags Merchants Association ..	Ahmedabad
142	Palitana Taluka Vepari Mandal ..	Palitana
143	Shri Pan Bidi-Cigarette Retail Merchants Association ..	Rajkot
144	Panchmahals Chamber of Commerce, Sales Tax Practitioners Association, Godhra and Anaj and Telibiya Vepari Mandal	Godhra
145	Pavi-Jetpur Vepari Mandal ..	Baroda
146	The Pensioners Association ..	Junagadh
147	Shree Petlad Vepari Mandal ..	Petlad
148	Porbandar Chamber of Commerce ..	Porbandar
149	Shree Porbandar Commission Merchants Association ..	Porbandar
150	Porbandar Industrial Association ..	Porbandar
151	The Precious Stones Importers and Exporters Association ..	Cambay
152	Shree Rajkot Boot-Chappal Manufacturers ..	Rajkot

Sr. No.	Name of Association	Place
1	2	3
153	Rajkot Chamber of Commerce .. ..	Rajkot
154	Rajkot Chokshi Association .. ..	Rajkot
155	Shree Rajkot Cloth Merchants Association .. ..	Rajkot
156	Rajkot Grain Udyog .. ..	Rajkot
157	Rajkot Hotel Association .. ..	Rajkot
158	Shree Rajkot Kariana Vepari Mahamandal .. ..	Rajkot
159	Shree Rajkot Khali Bardan Vepari Mandal .. ..	Rajkot
160	Shree Rajkot Machinery Dealers Associaton .. ..	Rajkot
161	Rajkot Sales Tax Practitioners Association .. ..	Rajkot
162	The Retail Cloth Merchants Association .. ..	Ahmedabad
163	Sabarkantha District Sales Tax Practitioners Association .. ..	Prantij
164	Sales Tax Practitioners Association .. ..	Ahmedabad
165	The Sales Tax Practitioners Association .. ..	Jamnagar
166	Sales Tax Practitioners Association .. ..	Porbandar
167	Sales Tax Practitioners Association .. ..	Mehsana
168	Sales Tax Practitioners Association .. ..	Bhavnagar
169	Saurashtra Chambers of Commerce .. ..	Bhavnagar
170	Saurashtra Chemists and Druggists Association .. ..	Rajkot
171	Saurashtra Inland Salt Manufacturing Association .. ..	Surendranagar
172	Saurashtra-Kutch Khadtel Vikreta Mahamandal .. ..	Rajkot
173	Saurashtra Mill Owners Association .. ..	Surendranagar
174	Shree Saurashtra Oil Mill Association .. ..	Jamnagar
175	Savarkundla Chamber of Commerce .. ..	Savarkundla
176	The Seeds and Grain Merchants Association .. ..	Jamnagar
177	The Siddhpur Kandoi Association .. ..	Sidhpur
178	Sihor Metal Merchants and Manufacturers Association .. ..	Sihor
179	Sheo-makers Association .. ..	Dhrol
180	Small Scale Industries Association .. ..	Mehsana
181	The Sorath Chamber of Commerce .. ..	Veraval
182	Solvent Extractors Association of India .. ..	Bombay
183	The Southern Gujarat Chmaber of Commerce and Industries .. ..	Surat
184	Surat Bakery Association .. ..	Surat
185	The Surat Bardan Merchants Association .. ..	Surat
186	The Surat Chemists' and Druggists Association .. ..	Surat
187	Surat Diamond-cutters and Polishers Association .. ..	Surat
188	Surat Dudhwala Vepari Mandal .. ..	Surat
189	The Surat Elastic Goods Manufacturing Association .. ..	Surat
190	The Surat Jari Merchants Association .. ..	Surat
191	Surat Pure Silk Merchants .. ..	Surat
192	Surat Sales Tax Practitioners Association .. ..	Surat
193	Suvarnkar Udyog Mandal .. ..	Bhanvad
194	Sweet Farsan Lodging Association .. ..	Porbandar
195	Talod Station Vepari Mahajan .. ..	Talod
196	Timber Merchants Association .. ..	Ahmedabad
197	Umbrella Manufacturers Association .. ..	Surat
198	Umbrella Manufacturers Association .. ..	Nadiad
199	Shree Unza Vepari Mandal .. ..	Unza
200	Upleta Mithai Farsan Owners Association .. ..	Upleta
201	Veraval Merchants and Commission Agents Association .. ..	Veraval
202	Visnagar Metal Merchants Association .. ..	Visnagar
203	The whole sale and Retail Parch Gram and groundnuts Merchants Association.	Ahmedabad
204	The Wool Merchants Association .. ..	Jamnagar
205	Yarn Silk Merchants Association .. ..	Surat
206	Shree Zalawad Chamber of Commerce .. ..	Surendranagar



## LIST 1

( Para 1.08 )

*List of individuals who have sent their replies to the Questionnaire*

Sr. No. 1	Name 2	Place
1	The Accountant General Gujarat .. ..	Ahmedabad
2	Shree Ambica Mills Ltd. .. ..	Ahmedabad
3	Shri Amritlal Jivanlal Shah .. ..	Petlad
4	Shri Ashwin Industries .. ..	Baroda
5	Shri Balchand M. Shah .. ..	Dhari
6	Shri Balkrishna Gopalji Sanghvi .. ..	Veraval
7	M/s. B. R. Herman and Mohatta ( India ) Pvt. Ltd. ..	Bombay
8	Shri Bechardas Ranchhoddas Patel .. ..	Unza
9	Bulsar Sarvajanik Kelavani Mandal Co-operative Stores Ltd.	Bulsar
10	Shri Chandulal M. Dani .. ..	Bhavnagar
11	Shri Chandulal Premchand .. ..	Ahmedabad
12	Shri Chauhan Gordhan Punjabhai .. ..	Rajkot
13	Shri C. L. Shah, Advocate .. ..	Surat
14	M/s. C. R. Sons ( Nadiad ) and Co. .. ..	Nadiad
15	M/s. Chimanlal M. Mehta and Co. ....	Bombay
16	The Commissioner of Commercial Taxes, Andhra Pradesh ..	Hyderabad
17	The Commissioner of Sales Tax, Maharashtra State ..	Bombay
18	The Commissioner of Sales Tax, Uttar Pradesh ..	Lucknow
19	The Commissioner of Sales Tax .. ..	New Delhi
20	The Commissioner of Sales Tax, Madhya Pradesh ..	Indore
21	M/s. Continental Motors .. ..	Jamnagar
22	Shri Dasada Taluka Panchayat .. ..	Dasada
23	Shri Daxin Gujarati Sahakari Cotton Marketing Union Ltd.	Surat
24	Shri Dharamshi D. Patel, M. L. A. .. ..	Junagadh
25	Shri Dhirajlal B. Mehta, M. L. A. .. ..	Bhavnagar
26	Dr. D. K. Shukla .. ..	Baroda
27	M/s. D. K. Trivedi and Sons .. ..	Abu Road
28	M/s. Esso Standard Eastern INC. .. ..	Bombay
29	Shri F. A. Kalolwala ... ..	Bombay
30	M/s. Forge and Blower Co. .. ..	Ahmedabad
31	M/s. Gandhi Coal Depot .. ..	Bhavnagar
32	Shri G. G. Tamakuwala, Advocate .. ..	Surat
33	Shri Govindji Kurji Mandavia .. ..	Porbandar
34	Gujarat Rajya Nanakiy Mandal .. ..	Ahmedabad
35	Gujarat Rajya Sahakari Khadi Udyog Sangh Ltd. ..	Bardoli
36	Gujarat Small Industries Corporation .. ..	Ahmedabad
37	Gujarat State Fertilizer Co. .. ..	Baroda
38	Shri Harilal Thakersy .. ..	Surat
39	Shree Harshad Sweet Mark .. ..	Porbandar
40	Shri Hasmukhlal Thakorlal Akikwala .. ..	Cambay
41	Shri Hemant Pandya .. ..	Rajkot
42	Shri Himmat Vijay Printing Press .. ..	Himmatnagar
43	Shri Hiralal H. Bhagwati .. ..	Ahmedabad
44	Shri Hiralal Motichand .. ..	Palitana
45	Indian Industrial Corporation .. ..	Navsari
46	Shri Indravadan G. Patel ( The Patel Stores ) ..	Anand
47	Shri Indravadan Patel ( B. Patel and Co.) ..	Anand
48	Shri I. J. Patel, Vice-Chancellor .. ..	Vallabh Vidya-nagar
49	Shri Ishwar S. Rudalal, Advocate and Shri Bipin M. Ghoyel, Advocate.	Surat
50	Shri Jayantilal G. Joshi .. ..	Bhuji

Sr. No. 1	Name 2	Place 3
51	Shri Jivabhai Bhaijibhai .. ..	Mehmedabad
52	M/s. Kaira District Co-operative Milk Products Union Ltd.	Anand
53	Shri Kantilal Sanghvi .. ..	Jamnagar
54	Shri Kasturbhai N. Doshi, M. L. A. .. ..	Kapadvanj
55	Sri K. C. Vankawala .. ..	Surat
56	Shri Khodidas Ratansi Luhar .. ..	Sardhar ( Rajkot )
57	Shri Ladhahbai Bhanji .. ..	Porbandar
58	M/s. Lalit Printery .. ..	Veraval
59	M/s. Laljibhai Gokaldas Metal Works .. ..	Morvi
60	Shri Maganlal Shivalal .. ..	Surendranagar
61	Shri Manilal Tribhovandas .. ..	Surendranagar
62	M/s. Mansa Umbrella Stores and M/s. Lotus Brand Rain Coat Works.	Ahmedabad
63	Shri Mansukhlal Keshavlal Sh .. ..	Veraval
64	Prof. Manubhai M. Shah .. ..	Vallabh Vidyanagar
65	The Master Silk Mills Private Ltd. .. ..	Bhanvagar
66	Shri Mavji Velji Patel .. ..	Rajkot
67	Shri Mohan Kachrabhai Patel .. ..	Dhoraji
68	Shri Motibhai Prabhudas Patel .. ..	Rajkot
69	Shri Mulla Fajalhusen Mamamadali and others .. ..	Surendranagar
70	The Nadiad Agarbatti Works .. ..	Nadiad
71	Shri N. C. Mashruwala .. ..	Ahmedabad
72	Shri Nanalal Chhaganlal .. ..	Jetpur
73	Shri Narayan Shivaji Vakil .. ..	Dwarka
74	Shri Natvarlal N. Shah .. ..	Modasa
75	Shri Odhavji Savji Vaghela .. ..	Gondal
76	The Parshuram Pottery Works Ltd. .. ..	Morvi
77	Patan Nagar Palika .. ..	Patan
78	Shri P. B. Buch, Director, Bureau of Economics and Statistics.	Ahmedabad
79	Patel Pravinchandra Chimanbhai .. ..	Baroda
80	M/s. P. L. Chaudhary and Co., C. A... ..	Bombay
81	M/s. Polson Limited .. ..	Bombay
82	M/s. Polson Model Dairy .. ..	Anand
83	M/s. Prakash Trading Co. .. ..	Ahmedabad
84	Shri Pratap Shah, M. L. A. .. ..	Bhavnagar
85	Smt. Pushpavati Bahen Mehta, M. P. .. ..	Ahmedabad
86	Shri Ramanbhai B. Amin .. ..	Baroda
87	The Registrar of Co-operative Societies, Gujarat State .. ..	Ahmedabad
88	Shri Rohit C. Mehta .. ..	Ahmedabad
89	Shri Shankerlal M. Guru, M. L. A. .. ..	Unza
90	The Secretary, Board of Revenue Madras ( C. T. ) .. ..	Madras
91	Shri Shantilal Chhotalal Shah .. ..	Ahmedabad
92	Shri S. L. Modi, Advocate .. ..	Ahmedabad
93	Shri S. T. Raja, Chairman, Gujarat Electricity Board .. ..	Baroda
94	Shri Sudhanlal T. Chokshi .. ..	Navsari
95	The Surat Jari Goods Product Co-operative Society Ltd. .. ..	Surat
96	The Uma Soap Factory .. ..	Unza
97	Unza Nagar Palika .. ..	Unza
98	Shri Vasuka Pottery Works .. ..	Surendranagar
99	Shri Vidyaram Dolatram .. ..	Mehsana
100	Shri Yashvant C. Khakhar .. ..	Jamnagar

## LIST No. 2

( Para 1.10 )

*List of Associations with whom Committee held discussions*

Sr. No. 1	Name 2	Place 3
1	Aerated Waters Manufacturers Association ..	Ahmedabad
2	The Agricultural Implements and Firewood Merchants Association.	Nadiad
3	Ahmedabad Book Manufacturers Association .. ..	Ahmedabad
4	Ahmedabad Builders Association .. ..	Ahmedabad
5	Ahmedabad Chemical Merchant's Association .. ..	Ahmedabad
6	Ahmedabad Chemists Association .. ..	Ahmedabad
7	Ahmedabad Chemical Pottery and Silk Manufacturers Association.	Ahmedabad
8	Ahmedabad Cutlery Merchant's Association .. ..	Ahmedabad
9	Ahmedabad Engineering Manufacturers Association ..	Ahmedabad
10	Ahmedabad Iron Merchant's Association .. ..	Ahmedabad
11	Ahmedabad Joonu Madhupura Ghee Merchants Association	Ahmedabad
12	Ahmedabad Metal Merchants Association .. ..	Ahmedabad
13	Ahmedabad Mill and Gin Stores Merchants Association ..	Ahmedabad
14	Ahmedabad Mill Owner's Association .. ..	Ahmedabad
15	Shri Ahmedabad Mithai Farsan and Dudhana Vepari Association.	Ahmedabad
16	Ahmedabad Nava Madhupura Vepari Mahajan .. ..	Ahmedabad
17	Ahmedabad Paper Merchants Association .. ..	Ahmedabad
18	Ahmedabad Radio Merchants Association .. ..	Ahmedabad
19	Ahmedabad Sanitary Merchants Association .. ..	Ahmedabad
20	Ahmedabad Spices and Condiments Dealers Association ..	Ahmedabad
21	Ahmedabad Stationery Merchants Association .. ..	Ahmedabad
22	Ahmedabad Timber Merchants Association .. ..	Ahmedabad
23	Ahmedabad Tobacco Merchants Association .. ..	Ahmedabad
24	Ahmedabad Yarn Merchants Association .. ..	Ahmedabad
25	Ahmedabadi Bazar Grain Merchants Association and the Nadiad Tea Merchants Association.	Nadiad
26	Akik Udhyog Vikas Sahakari Mandali Ltd. .. ..	Cambay
27	Amreli Chamber of Commerce .. ..	Amreli
28	Anaj Kariana Vepari Mandal .. ..	Karjan
29	Anand Electric Merchants and Contractors Association ..	Anand
30	Anand Grain Merchants Association .. ..	Anand
31	Anand Gunny Bags and Tin Merchants Association ..	Anand
32	Anand Gur and Oil Merchants Association .. ..	Anand
33	Anand Iron and Hardware Merchants Association .. ..	Anand
34	Anand Hotel and Lodge Owners Association .. ..	Anand
35	Anand Radio Dealers Association .. ..	Anand
36	Anand Readymade Cloth Dealers Association .. ..	Anand
37	Anand Tea Merchants Association .. ..	Anand
38	Anjar Kutlery Merchants Association .. ..	Anjar
39	Anjar Merchants Association .. ..	Anjar
40	Bakery Association .. ..	Bulsar
41	Bakery Merchants Association .. ..	Porbandar
42	Banaskantha Jilla Vepari Mandal .. ..	Palanpur
43	Barden Vepari Mandal .. ..	Rajkot
44	The Baroda City and District Sales Tax and Income Tax Practitioners Association.	Baroda
45	Baroda City Readymade Cloth Dealers Association ..	Baroda
46	Baroda District Iron and Steel Registered Stock Holders Association.	Baroda

Sr. No.	Name	Place
1	2	3
47	Baroda Grain Merchants Association .. ..	Baroda
48	The Baroda Old Gunny Bags Merchants Association .. ..	Baroda
49	Bhachav Merchants Association .. ..	Bhachav
50	Bhanvad Anaj Kariana Merchants Association .. ..	Bhanvad
51	Shree Bhanvad Cutlery Merchants Association .. ..	Bhanvad
52	Bhavnagar Electric Merchants Association .. ..	Bhavnagar
53	Bhuj Chambers of Commerce .. ..	Bhuj
54	Bhuj Cloth Merchants Association .. ..	Bhuj
55	Shri Bhuj Grain and Seeds Wholesale Merchants Association .. ..	Bhuj
56	Bhuj Metal Merchants Association .. ..	Bhuj
57	Bruhad Gujarat Pagarkha Utpadak Karigar Sangh .. ..	Ahmedabad
58	Brick Manufacturers Association .. ..	Baroda
59	Broach Chamber of Commerce and Industries .. ..	Broach
60	Broach Chemists Association .. ..	Broach
61	Broach City Tiles Stones, Building Materials Merchants .. ..	Broach
62	Broach City Bakery Association .. ..	Broach
63	Broach Merchants Association .. ..	Broach
64	Broach Metal Merchants Association .. ..	Broach
65	Bruhad Gujarat Pagarkha Utpadak Mandal .. ..	Ahmedabad
66	Bulsar Chamber of Commerce and Industries .. ..	Bulsar
67	Cambay Cloth Merchants Association .. ..	Cambay
68	Cambay Jewellers Association .. ..	Cambay
69	The Cambay Mithai Farsan Vepari Mandal .. ..	Cambay
70	The Cambay Sadi Manufacturing Co-operative Society .. ..	Cambay
71	Cambay Taluka Sahakari Ginning Pressing and Cloth Sale Sahakari Society.	Cambay
72	The Cambay Timber Merchant Association .. ..	Cambay
73	Cement and Hardware Merchants Association .. ..	Veraval
74	Central Gujarat Chamber of Commerce .. ..	Baroda
75	Central Gujarat Cotton Dealers Association .. ..	Broach
76	Chartered Accountants Association .. ..	Ahmedabad
77	The Chemists and Druggists Merchants Association .. ..	Baroda
78	Chemists and Druggists Association .. ..	Morvi
79	Shree Chemists and Druggists Merchants Association .. ..	Bhuj
80	Cloth Merchants Association .. ..	Gandhidham
81	Cloth Merchants Association .. ..	Nadiad
82	Cutlery Merchants Association .. ..	Surendranagar
83	Cutlery Merchants Association .. ..	Dhrangadhra
84	Dabhoi Line Cotton Seeds Buyers and Sellers Association .. ..	Dabhoi
85	Shree Dakor Anaj Telibiya Kariyana Traders Association .. ..	Dakor
86	Dealers Association .. ..	Surendranagar
87	Dealers Musical Instruments .. ..	Ahmedabad
88	Surat Diamond Cutters and Polishers Association .. ..	Surat
89	Disa Vepari Mahamandal .. ..	Disa
90	Dhoraji Chamber of Commerce .. ..	Dhoraji
91	Dudh Mithaiwala Merchants Association .. ..	Bhuj
92	Dhoraji Cutlery and Thread Merchants Association .. ..	Dhoraji
93	The Electrical Merchants and Contractors Association .. ..	Ahmedabad
94	Federation of Gujarat State Small Scale Soap Industries .. ..	Baroda
95	Federation of Gujarat Mills and Industries .. ..	Baroda
96	Shree Gandhidham Chamber of Commerce .. ..	Gandhidham
97	Shree Gandhidham Grain Seeds and Oil Merchants Association .. ..	Gandhidham
98	Shree Ganj Bazar Vepari Mandal .. ..	Visnagar
99	Ghee Merchants Association .. ..	Bhavnagar
100	Ghee Merchants Association .. ..	Bhanvad
101	Godhra Anaj and Telibiya Vepari Mandal .. ..	Godhra
102	Gondal Cutlery Merchants Association .. ..	Gondal
103	Grain and Seeds Merchants Association .. ..	Himatnagar

Sr. No.	Name	Place
1	2	3
104	Ground-nut Merchants .. .. .	Morvi
105	Ground-nut Merchants .. .. .	Gandevi
106	Gujarat Contractors Association .. .. .	Ahmedabad
107	Gujarat Prajapati Sabha .. .. .	Ahmedabad
108	Gujarat Rajya Hotel Federation and Ahmedabad Hotel Owners Association. .. .. .	Ahmedabad
109	Gujarat Rajya Maldhari Sangh .. .. .	Jamnagar
110	Shree Gujarat Rajya Mithai Farsan Manufacturing Vepari Mahamandal .. .. .	Baroda
111	Gujarat Re-rolling Mills Association .. .. .	Ahmedabad
112	Gujarat Scientific Surgical and Chemicals Association .. .. .	Ahmedabad
113	Gujarat State Bakers Association .. .. .	Ahmedabad
114	The Gujarat State Sales Tax ( Class-III Non-Gazetted ) Staff Union. .. .. .	Ahmedabad
115	Gujarat Vepari Mahamandal .. .. .	Ahmedabad
116	Gujarat Yatrik Krishinkar Samaj .. .. .	Rajkot
117	Gujarati Mandal .. .. .	Madras
118	Hindustan Chamber of Commerce .. .. .	Madras
119	Ice Factory Owners Association .. .. .	Ahmedabad
120	Shree Imarit Lakdana Vepari Association .. .. .	Godhra
121	Income Tax Bar Association .. .. .	Ahmedabad
122	Income Tax and Sales Tax Practitioners Association .. .. .	Nadiad
123	Income Tax and Sales Tax Practitioners Association .. .. .	Broach
124	Isabgol Manufacturers and Exporters Association .. .. .	Sidhpur
125	Jamnagar Factory Owners Association .. .. .	Jamnagar
126	The Jamnagar Chemists and Druggists Association .. .. .	Jamnagar
127	Jamnagar Hotel Lodge Owners Association .. .. .	Jamnagar
128	Jamnagar Mithai and Farsan Merchants Association .. .. .	Jamnagar
129	Jamnagar Piece Goods Merchants Association .. .. .	Jamnagar
130	Junagadh Chamber of Commerce .. .. .	Junagadh
131	Shree Kaira District Tobacco Merchants Association .. .. .	Nadiad
132	Kandoi Association .. .. .	Morvi
133	Shree Kansara Metal Merchants Association .. .. .	Morvi
134	Kansara Bazar Metal Merchants Association .. .. .	Rajkot
135	Kapad Association .. .. .	Jamnagar
136	Kapad Merchants Association .. .. .	Junagadh
137	Kapad Sutar Association .. .. .	Bhanvad
138	Kapadia Vepari Association .. .. .	Ahmedabad
139	Kirana Merchants Association .. .. .	Surat
140	Kukarwada Vepari Mandal .. .. .	Kukarwada
141	Mahuva Chamber of Commerce .. .. .	Mahuva
142	Mahuva Timber Merchants Association .. .. .	Mahuva
143	Manavadar Chamber of Commerce .. .. .	Junagadh
144	Shree Mandavi Merchants Association .. .. .	Mandavi
145	Manekchawk Silk Cloth Merchants' Association .. .. .	Ahmedabad
146	Medicine Merchants Association .. .. .	Jetpur
147	Medical Merchants Association .. .. .	Junagadh
148	Mehmedabad Grain and Seeds Merchants Association .. .. .	Mehmedabad
149	The Mehsana Jilla Kandoi Sukhadia Association .. .. .	Mehsana
150	Mehsana Jilla Oil Mills Mandal and Unza Oil Mills .. .. .	Unza
151	The Mehsana Iron and Manufacturing Hardware Merchants Association. .. .. .	Mehsana
152	Mehsana Jilla Oil Engine Dealers Association .. .. .	Mehsana
153	Mehsana Jilla Vepari Mahamandal .. .. .	Mehsana
154	Mehsana Taluka Brick Manufactures Association .. .. .	Mehsana
155	Mithai Association .. .. .	Dhoraji
156	The Mithai Farsan Vepari Association .. .. .	Nadiad
157	Shree Mithaiwala Sahayak Mandal .. .. .	Surat

Sr. No.	Name	Place
1	2	3
158	Modasa Anaj and Telibia Mahajan .. ..	Modasa
159	Morvi Chamber of Commerce .. ..	Morvi
160	Morvi Iron and Hardware Merchants Association ..	Morvi
161	Mundra Merchant's Association .. ..	Mundra
162	Mutton Dealer's Association .. ..	Baroda
163	The Nadiad Bakery Association .. ..	Nadiad
164	The Nadiad Gunny Bags Merchants Association ..	Nadiad
165	Nadiad Grain Merchants Association .. ..	Nadiad
166	Shree Nadiad Hosiery and Ready-made Cloth Merchant's Association.	Nadiad
167	Shree Nadiad Kirana Merchants and Commission Agent's Association.	Nadiad
168	Nadiad Lodge and Hotel Owners Association .. ..	Nadiad
169	Nadiad Metal Merchant's Association .. ..	Nadiad
170	Nadiad Printing Press Association .. ..	Nadiad
171	Nadiad Radio Merchants Association .. ..	Nadiad
172	The Nadiad Tea Merchant's Association .. ..	Nadiad
173	The Nadiad Tobacco Merchant's Association .. ..	Nadiad
174	Nadiad Vepari Mahajan Association .. ..	Nadiad
175	The Navsari Bakery Association .. ..	Navsari
176	The Navsari Chamber of Commerce and Industry ..	Navsari
177	Navsari Chokshi Association .. ..	Navsari
178	Navsari Gandhi Mahajan .. ..	Navsari
179	Navsari Kapad Vepari Mandal .. ..	Navsari
180	Navsari Mithaiwala Association .. ..	Navsari
181	The Navsari S. T. P. Association .. ..	Navsari
182	Nawanagar Chamber of Commerce .. ..	Jamnagar
183	The New Power soap Manufacturer's Association ..	Nadiad
184	Old Gunny Bags Merchant's Association .. ..	Ahmedabad
185	The Oil Mills Association .. ..	Bhavnagar
186	Oil and Seeds Merchant's Association .. ..	Talod
187	Paints and Hardware Merchant's Association .. ..	Gandhidham
188	Palanpur Grain and Seeds Merchant's Association ..	Palanpur
189	Palitana Taluka Vepari Mahamandal .. ..	Palitana
190	Pan Bidi Cigarettee Retail Merchant's Association ..	Rajkot
191	Panchmahal Chamber of Commerce .. ..	Godhra
192	Papad Sev-Farsan Udhyog Mandal .. ..	Rajkot
193	Petlad Vepari Mandal .. ..	Petlad
194	Pipes Merchants .. ..	Dhoraji
195	Porbandar Chamber of Commerce .. ..	Porbandar
196	Shree Porbandar Commission Merchant's Association ..	Porbandar
197	Porbandar Industrial Association .. ..	Porbandar
198	The Precious Stones Importers and Exporters Association ..	Cambay
199	Shree Rajkot Boot Chappal Manufacturers .. ..	Rajkot
200	Rajkot Chamber of Commerce .. ..	Rajkot
201	Rajkot Chokshi Association .. ..	Rajkot
202	Shree Rajkot Cloth Merchant's Association .. ..	Rajkot
203	Shree Rajkot Hotel Association .. ..	Rajkot
204	Rajkot Machinery Dealers Association .. ..	Rajkot
205	The Rajkot Seeds Oil and Bullion Merchant's Association ..	Rajkot
206	Shree Rapar Vepari Mandal .. ..	Rapar
207	Shree Ratanpole Kapad Mahajan .. ..	Ahmedabad
208	Ready-made Cloth Merchants Association .. ..	Surat
209	Retail Cloth Merchants Association .. ..	Ahmedabad
210	Retail Kirana Merchants Association .. ..	Gandhidham
211	Retail Merchants Association .. ..	Bhuj
212	Sabarkantha District Sales Tax Practitioner Association ..	Prantij

Sr. No.	Name	Place
1	2	3
213	Sabarkantha Ginner's Oil Mills and Cloth Merchants Association.	Himatnagar
214	The Gujarat State Sales Tax Officers Association	.. Ahmedabad
215	Sales Tax Practitioners Association ..	.. Ahmedabad
216	Sales Tax Practitioners Association ..	.. Godhra
217	Sales Tax Practitioners of Petlad ..	.. Petlad
218	Sales Tax Practitioners Association ..	.. Mehsana
219	Sales Tax Practitioners Association ..	.. Probandar
220	Surat Sales Tax Practitioners Association	.. Surat
221	Sales Tax Practitioners Association ..	.. Jamnagar
222	Sales Tax Practitioners Association ..	.. Rajkot
223	Sales Tax Practitioners Association ..	.. Bhavnagar
224	Sales Tax Practitioners Association ..	.. Palanpur
225	The Saurashtra Chamber of Commerce	.. Bhavnagar
226	Saurashtra Chemist and Druggist Association ..	.. Rajkot
227	Saurashtra Inland Salt Manufacturers Association	.. Surendranagar
228	Saurashtra Kutch Khadya Pay Vikreta Mandal	.. Rajkot
229	Shree Saurashtra Oil Mills Association ..	.. Jamnagar
230	Saurashtra Mill Owners Association ..	.. Surendranagar
231	Savarkundla Chamber of Commerce ..	.. Savarkundla
232	The Seeds Grain Merchants Association	.. Savarkundla
233	Sidhpur Kandoi Association ..	.. Sidhpur
234	Sidhpur Vepari Mandal ..	.. Sidhpur
235	Sihor Brass and Copper Merchants Association ..	.. Sihore
236	Sihor Metal Merchants and Manufacturers Association	.. Sihor
237	Shoes Makers Association ..	.. Dhrol
238	Shoes Makers Association ..	.. Bhanvad
239	Small Scale Industries Association ..	.. Mehsana
240	Small Scale Industries Association ..	.. Gandhidham
241	Soap Manufacturers Association ..	.. Rajkot
242	Sorath Chamber of Commerce ..	.. Veraval
243	Sorath Products Exporters Association ..	.. Veraval
244	Solvent Extractions Association of India	.. Jamnagar
245	Shree Southern Gujarat Chamber of Commerce and Industries.	Surat
246	Stainless Steel Merchant's Association ..	.. Bhavnagar
247	Surat Bakery Association ..	.. Surat
248	Surat Chemists and Druggists Association ..	.. Surat
249	Surat Dudhwala Vepari Mandal ..	.. Surat
250	Surat Elastic Goods Manufacturers Association	.. Surat
251	The Surat Jari Merchants Association ..	.. Surat
252	Surat Pure Silk Merchants ..	.. Surat
253	The Surat Timber Merchants Association	.. Surat
254	Suvarnkar Udhyog Mandal ..	.. Bhanvad
255	Sweet Farsan and Lodging Association	.. Porbandar
256	Talod Station Vepari Mahajan ..	.. Talod
257	Timber Merchants Association ..	.. Bhanvad
258	Timber Merchant's Association ..	.. Godhra
259	Timber Merchant's Association ..	.. Veraval
260	Umbrella Manufacturers Association	.. Surat
261	Umbrella Manufacturer's Association	.. Nadiad
262	Shree Unza Vepari Mandal ..	.. Unza
263	Upleta Mithai Farsan Owners Association	.. Upleta
264	Veraval Cloth Merchant's Association	.. Veraval
265	Veraval Cutlery Merchant's Association	.. Veraval
266	Veraval General Merchants Association	.. Veraval
267	Veraval Merchants and Commission Agents	.. Veraval

Sr. No.	Name	Place
1	2	3
268	Veraval Oil and Oil Seeds Merchants Association ..	Veraval
269	Visnagar Metal Merchants Association ..	Visnagar
270	Watch Dealers Corporation ..	Baroda
271	Watch Merchants Association ..	Surendranagar
272	The Wholesale and Retail Parch Gram and Ground-nuts Merchants Association.	Ahmedabad
273	Wool Merchants Association ..	Jamnagar
274	Yarn Silk Merchants Association ..	Surat
275	Shree Zalavad Chamber of Commerce ..	Surendranagar





## LIST No. 2

( Para No. 1-10 )

*List of Individuals with whom Committee held discussions*

Sr. No.	Name	Place
1	2	3
1	Shri Ambica Mills Ltd. .. ..	Ahmedabad
2	Shri Amratlal Jivanlal Shah .. ..	Petlad
3	Shri Ashwin Industries .. ..	Baroda
4	Shri Balachand Manekchand Shah .. ..	Amreli
5	Shri Balkrishna Gopalji Sanghavi .. ..	Veraval
6	Bulsar Sarvajnik Kelvani Mandal Co-operative Stores Ltd.	Bulsar
7	Shri Chandrakant K. Shah .. ..	Bulsar
8	Shri Chandulal Premchand .. ..	Ahmedabad
9	Shri Chauhan Gordhanbhai Punjabhai .. ..	Rajkot
10	M/s. Chimanlal M. Mehta ( Bombay ) and Co. .. ..	Bombay
11	Shri Chitranjan Raja .. ..	Junagadh
12	Shri C. K. Shah .. ..	Ahmedabad
13	Shri Chandulal M. Dani .. ..	Bhavnagar
14	The Commissioner of Sales Tax, M. S. .. ..	Bombay
15	M/s. C. R. Sons ( Nadiad ) and Co. .. ..	Anand
16	M/s. Dave and Co. .. ..	Anand
17	Shree Daxin Gujarat Sahakari Cotton Marketing Union Ltd.	Surat
18	M/s. Deepak Saw Mill .. ..	Anand
19	Shri Dharamshibhai Dahyabhai Patel, M. L. A. .. ..	Junagadh
20	Shri Dharamsibhai Ramjibhai ( Oil Mill ) .. ..	Manavadar
21	Shri Dhirajlal B. Mehta, M. L. A. .. ..	Bhavnagar
22	M/s. Dipak Solvent Extractors .. ..	Manavadar
23	Dr. D. K. Shukla .. ..	Baroda
24	M/s. Forge and Blower Co. .. ..	Ahmedabad
25	M/s. Ghanshyam Hardware Mart .. ..	Anand
26	Shri Gopaldas P. Kapadia .. ..	Bombay
27	Govindji Kurji Mandavia .. ..	Porbandar
28	Gujarat Handloom Board .. ..	Ahmedabad
29	Gujarat Rajya Co-operative Marketing Society .. ..	Ahmedabad
30	Gujarat Rajya Hastakala Karigar Board .. ..	Ahmedabad
31	Gujarat Rajya Khadi Board .. ..	Ahmedabad
32	Gujarat Rajya Sahakari Khand Udhog Sangh Ltd. .. ..	Bardoli
33	Gujarat Rajya Sahakari Sangh .. ..	Ahmedabad
34	Gujarat Small Industries Corporation Ltd. .. ..	Ahmedabad
35	Gujarat State Electricity Board .. ..	Ahmedabad
36	Gujarat State Fertiliser Co. Ltd. .. ..	Baroda
37	The Gujarat Rajya Nanakiya Mandal .. ..	Ahmedabad
38	Gujarat State Mineral Development Corporation .. ..	Ahmedabad
39	Gujarat State Road Transport Corporation .. ..	Ahmedabad
40	Shri Gulabrai M. Shah .. ..	Bhavnagar
41	Shri Harilal Thakersy .. ..	Surat
42	Shri Hasmukhlal Thakorlal Akikwala .. ..	Cambay
43	Shri Hemant Pandya .. ..	Gondal
44	Shri Hiralal H. Bhagvati .. ..	Ahmedabad
45	Prof. H. P. Shukla .. ..	Baroda
46	Indian Industrial Corporation ( Udhogynagar ) .. ..	Navsari
47	Shri J. Patel ( Vice Chancellor ) .. ..	Vallabh Vidya nagar.
48	Jagdish Oil Industries .. ..	Porbandar
49	Shri Jagubhai Parikh .. ..	Bhavnagar
50	Shri Janardan Ranchhodlal and Co. .. ..	Jamnagar
51	Shri Jayantilal G. Joshi .. ..	Bhuj

Sr. No. 1	Name 2	Place 3
52	Shri J. K. Anjaria .. ..	Jamnagar
53	Kalyanji Mehta .. ..	Maroli
54	M/s. Kanlesh Vastra Bhandar .. ..	Anand
55	Shri Kantilal Sanghvi .. ..	Jamnagar
56	Shri K. C. Vankawala .. ..	Surat
57	M/s. Kontinental Motors .. ..	Jamnagar
58	Shri K. B. Shah .. ..	Baroda
59	Lalit Printery .. ..	Veraval
60	Shri L. R. Dalal, I. C. S., Secretary, Finance Department ..	Ahmedabad
61	Maharana Mills .. ..	Porbandar
62	The Manager, Dena Bank .. ..	Anand
63	Shri Mansukhlal Keshavlal Shah .. ..	Veraval
64	Prof. Manubhai M. Shah .. ..	Vallabhvidya- nagar
65	Shri Manubhai Shah, Chairman, Gujarat Industrial Develop- ment Corporation.	Ahmedabad
66	M/s. M. A. Shah and Co. .. ..	Anand
67	Shri Manilal Tribhovandas .. ..	Surendranagar
68	Master Silk Mills Private Ltd. .. ..	Bhavnagar
69	Shri Mohanlal Kachrabhai Patel .. ..	Dhoraji
70	Shri Muljibhai Raghavji .. ..	Dhoraji
71	Shri Mulla Fajlehussain Mohmadali and Brothers .. ..	Surendranagar
72	M/s. Nadiad Agarbatti Works .. ..	Nadiad
73	Shri Nagjibhai Ishwarbhai Naliarwala .. ..	Broach
74	Shri Nanalal Chhaganlal .. ..	Jetpur
75	Shri Narhari Prasad H. Bhatt .. ..	Anand
76	Shri Natvarlal N. Shah .. ..	Modasa
77	Shree Parshuram Pottery Works Co., Ltd. .. ..	Morvi
78	M/s. Patel Engineering Co. .. ..	Dhoraji
79	Shri Patel Pravinchandra Chimanbhai .. ..	Masar Road
80	Shri P. B. Buch, Director of Bureau of Economics and Statistics.	Ahmedabad
81	Shri P. G. Desai .. ..	Udhana
82	M/s. Polson Ltd. .. ..	Bombay
83	Shri Popatlal Kakkad, M. L. A. .. ..	Porbandar
84	M/s. Prabhat Industries .. ..	Manavadar
85	Shri Pratap Shah, M. L. A. .. ..	Bhavnagar
86	Prakash Trading Co. .. ..	Ahmedabad
87	Shri Prem Nath, Commissioner of Income Tax .. ..	Ahmedabad
88	Shri Purshotambhai Sanjibhai Varu .. ..	Anjar
89	Shri Purshottam Mangaldas Patel and Co. .. ..	Anand
90	Shri Ramanbhai B. Amin .. ..	Baroda
91	Shri Ramjibhai Parbotbhai ( Ru-No Vepari ) .. ..	Manavader
92	Registrar of Co-operative Societies, Gujarat State .. ..	Ahmedabad
93	Shri Rohit C. Mehta .. ..	Ahmedabad
94	Saurashtra Cement and Chemical Industries .. ..	Porbandar
95	Saurashtra Chemical Industries Ltd. .. ..	Porbandar
96	The Secretary, Board of Revenue .. ..	Madras
97	The Secretary, Finance Department, Madras .. ..	Madras
98	M/s. Shakti Engineering and Iron Works .. ..	Anand
99	Shri Shamjibhai Devsibhai Kansara .. ..	Bhuj
100	Shri Shankerlal M. Guri, M. L. A. .. ..	Unza
101	Shri Shirishbhai Thakerbhai Thakor .. ..	Anand
102	Shri S. L. Modi, Advocate .. ..	Ahmedabad
103	Shri S. M. Vidyarthi, Secretary, Legal Department .. ..	Ahmedabad
104	The Surat Zari Goods Products Co-operative Society Ltd. ..	Surat
105	M/s. Tractor Trading Corporation .. ..	Anand
106	The Uma Soap Factory .. ..	Unza

Sr. No.	Name	Place
1	2.	3
107	Unza Nagarpalika.	Unza
108	Shri Vajubhai Vora.	Bhavnagar
109	Shree Vasuki Pottery Works	Surendranagar
110	Shri Venayon and Dhabdawala.	Amreli
111	M/s. Vikas Corporation	Gondal
112	Vishwakarma Hardware Mart	Anand
113	Shri V. L. Gidwani, I. C. S., Chief Secretary	Ahmedabad
114	Shri V. N. Saudha, Deputy Accountant General, Gujarat	Ahmedabad
115	Prof. Vyas	Vallabh Vidy- anagar.
116	Shri Yashwant C. Khakhia :	Jamnagar





TABLE 1

( Para 3.02 )

*Distribution of workers according to industrial categories as per 1961 Census*

Sr. No.	Industrial Category						Percentage workers in industrial	of total different categories
							Gujarat 3	India 4
1	2							
1	Cultivator ..	..	..	..	..	..	53.3	52.8
2	Agricultural Labour ..	..	..	..	..	..	14.8	16.7
3	Mining and Fishing ..	..	..	..	..	..	1.2	2.8
4	At Household and Manufacturing Industry ..	..	..	..	..	..	6.6	6.4
5	At Manufacturing Industry and Other Industry ..	..	..	..	..	..	6.3	4.2
6	Constructions ..	..	..	..	..	..	1.1	1.1
7	Trade and Commerce ..	..	..	..	..	..	4.8	4.0
8	Transport and Communication ..	..	..	..	..	..	1.9	1.6
9	Other services ..	..	..	..	..	..	10.0	10.4
Total workers ..							100.0	100.00

TABLE 2

( Para 3.03 )

*Gross value of production of a few major minerals (except Petroleum)*

Sr. No.	Mineral						Value of output in 1965-66 ( in '000 Rs. )
1	2						3
1	Bauxite ..	..	..	..	..	..	1,650
2	Salt ..	..	..	..	..	..	36,047
3	Dolomite ..	..	..	..	..	..	651
4	Lime Stone ..	..	..	..	..	..	9,112
5	Calcite ..	..	..	..	..	..	46
6	China Clay ..	..	..	..	..	..	1,091
7	Fire Clay ..	..	..	..	..	..	251

TABLE 3

( Para 3.04 )

*Results of Annual Survey of Industries (all Industries)*

Sr. No.	Item		Unit	Sector	1960	1965*
1	2		3	4	5	6
1	Productive Capital ..	..	Rs. in crores	I	147.97	*395.04
				II	40.15	39.48
2	Persons employed ..	..	No	I	2,82,418	3,38,029
				II	70,614	81,146
3	Ex-factory value of the products ..	..	Rs. in crores	I	270.46	513.60
				II	95.54	177.39
4	Net value added by manufacture ..	..	Rs. in crores	I	88.03	140.23
				II	18.34	22.15

I. CENSUS PART : All the factories employing 50 or more workers using power and those employing 100 or more workers not using power form the census part.

II. SAMPLE PART : Remaining small scale registered factories are covered on a probability sample basis.

\* Provisional.

TABLE 4

( Para 3.04 )

*Results of Census part of Annual Survey of Industries ( Selected Industries )*

Sr. No.	Item	Unit	Textiles		Chemicals		Cement		Machinery * ( Electrical and others )	
			1960	1965	1960	1965	1960	1965	1961	1965
1	Reporting factories ..	Num- ber	421	513	20	44	4	5	54	105
2	Productive Capital ( fixed and working )	Rs. in lakhs	7,879	10,423	1,903	6,347	518	1,168	519*	1,752
3	Gross out-put ex- factory value.	Rs. in lakhs	17,444	24,852	2,516	6,579	644	1,375	775	2,580
4	Net value added by manufacture.	Rs. in lakhs	6,114	7,218	952	2,164	120	509	283	800

\*Figures for 1960 are not available in case of machinery.

TABLE 5

( Para 3.04 )

*Registered factories by districts*

Sr. No.	Name of district				No. of factories as on 30- 6-1960	No. of factories as on 30-6-1967
1	2				3	4
1	Ahmedabad	..	..	..	935	1,380
2	Amreli ..	..	..	..	56	59
3	Kutch ..	..	..	..	49	57
4	Kaira ..	..	..	..	290	471
5	Gandhinagar	..	..	..	...	7
6	Jamnagar ..	..	..	..	143	210
7	Junagadh ..	..	..	..	137	219
8	Dangs ..	..	..	..	1	2
9	Panchmahals	..	..	..	62	84
10	Banaskantha	..	..	..	24	26
11	Broach ..	..	..	..	78	94
12	Bhavnagar ..	..	..	..	232	312
13	Mehsana ..	..	..	..	123	132
14	Rajkot ..	..	..	..	304	439
15	Baroda ..	..	..	..	264	402
16	Bulsar ..	..	..	..	...	299
17	Sabarkantha	..	..	..	55	61
18	Surat ..	..	..	..	889*	820
19	Surendranagar	..	..	..	126	157
20	Gujarat State	..	..	..	3768	5231

\*This includes number of factories of Bulsar also as on 30th June, 1960, Bulsar was then part of Surat District.

TABLE 6

( Para 3.08 )

*Number of Registered dealers and document holders under Sales Tax Acts.*

Sr. No.	Item	Number as on 1-5-1960	Number as on 1-4-1963	Number as on 1-4-1967
1	2	3	4	5
1	Dealers registered under the Bombay Sales Tax Act, 1959 ..	39,691	51,786	73,239
2	Licensed dealers .. .. .	5,767	6,205	10,830
3	Authorised dealers .. .. .	1,247	1,600	1,807
4	Recognised dealers .. .. .	3,207	3,363	4,000
5	Permit holders .. .. .	515	406	399
6	Dealers registered under Central Sales Tax Act. ..	18,075	30,132	41,311
7	Dealers registered under Motor Spirit Taxation Act ..	602	620	761

TABLE 7

( Para 8.08 )

*Census houses and the uses to which they are put (1961)*

Sr. No.	Particulars	Gujarat State		
		Total	Rural	Urban
1	2	3	4	5
1	Total number of Census houses ..	54,33,394	39,63,807	14,69,587
2	Census houses vacant at the time of house listing ..	5,99,904	4,39,312	1,60,592
3	Occupied Census Houses used as—Dwellings ..	38,23,502	28,15,159	10,08,403
4	Shop-cum-dwellings .. .. .	25,527	18,306	7,221
5	Workshop-cum-dwellings .. .. .	21,566	12,350	9,216
6	Hotels, Sarais, Dharamshalas, Tourist home and Inspection houses. ..	10,075	6,369	3,706
7	Shops excluding eating houses .. .. .	1,71,478	75,310	96,168
8	Business houses and offices .. .. .	25,451	7,892	17,559
9	Factories, workshops and worksheds .. .. .	58,567	22,097	36,470
10	Schools and other educational institutions including training classes, coaching and shop classes. ..	25,634	20,020	5,614
11	Restaurants, sweetmeat shops and eating places ..	14,976	6,472	8,504
12	Places of entertainment and community gathering ( Panchayat Ghar ). ..	10,576	8,994	1,582
13	Public Health and medical institutions, hospitals, health centres, Doctor's clinics, Dispensaries etc. ..	8,003	3,243	4,760
14	Others .. .. .	6,38,075	5,28,283	1,09,792

TABLE 8.

( Para 3.10 )

Percentage distribution of consumer expenditure ( Nineteenth Round )  
i. e. 1964-65.

Sr. No.	Items of Expenditure					Percentage of consumer expenditure on various items to total expenditure 19th round		
						Rural	Urban	State
1	2					3	4	5
1	Cereals and pulses	..	..	..	..	37.9	27.9	35.2
2	Milk and milk products	..	..	..	..	13.2	12.4	13.0
3	Other food items	..	..	..	..	25.6	26.9	25.9
	All food items	..			..	76.7	67.2	74.1
4	Clothing	..	..	..	..	4.9	5.3	5.0
5	Fuel and light	..	..	..	..	6.0	6.6	6.1
6	Other non-food items	..	..	..	..	12.4	20.9	14.8
						23.3	32.8	25.9
	All items	..			..	100.00	100.00	100.00
	Average monthly per capita expenditure in Rs.	..			..	27.02	31.96	28.23

TABLE 9

( Para 3.11 )

State Income and Per Capita Income at constant Prices ( 1960-61 prices )

Sr. No.	Major Heads	Unit	1955-56	1960-61	1961-62	1964-65	1965-66	1966-67
1	2	3	4	5	6	7	8	9
1	Agriculture and allied industries.	Rs. in crores	250 (43.7)	323 (46.6)	369 (48.8)	402 (48.0)	341 (43.1)	342 (42.1)
2	Mining, manufacturing and small enterprises.	..	140 (24.5)	153 (22.0)	163 (21.6)	189 (22.0)	196 (24.8)	210 (25.8)
3	Banking insurance, transport and commerce	..	90 (15.7)	109 (15.7)	113 (14.9)	124 (14.9)	129 (16.3)	133 (16.3)
4	Other services	..	92 (16.1)	109 (15.1)	111 (14.7)	121 (14.5)	125 (15.3)	128 (15.8)
5	Net Domestic product at factory cost.	..	572 (100)	694 (100)	756 (100)	836 (100)	791 (100)	813 (100)
6	Per capita income in Rs. ( Gujarat )		313	339	362	369	340	340
7	Per capita income All India.	All	283	310	316	339	315	313

(1) Estimates for Gujarat are provisional from 1963-64 to 1965-66 and quick estimates for 1966-67 are given. Official series 1948-49 prices is adjusted for 1960-61 prices.

(2) Figures in the bracket indicate percentages to Total.



TABLE 10

( Para 3.14 )

*Revenue receipts and expenditure of Gujarat State from 1960-61 to 1968-69*

( Rupees in lakhs. )

Sr. No.	Year	Revenue receipts	Expenditure met from revenue account.
1	1960.61*	5,254	5,122
2	1961.62	6,270	6,437
3	1962.63	8,332	7,003
4	1963.64	9,097	8,624
5	1964.65	10,364	9,435
6	1965.66	12,070	11,351
7	1966.67	13,559	12,976
8	1967.68 ( R. B. E. )	15,061	14,658
9	1968.69 ( B. E. )	16,453	15,153

\*Relates to period from 1st May 1960 to 31st March 1961.

TABLE 11

( Para 3.14 )

*General Budgetary position of the Gujarat State*

( Rs. in lakhs. )

Sr. No.	Year	Receipts			Expenditure			Surplus (+) or Deficit (—)		
		On revenue account	On capital account	Total	Met from revenue	On capital account	Total	On revenue account	On capital account	Total
1	2	3	4	5	6	7	8	9	10	11
1	1960.61*	5,254	2,810	8,064	5,122	3,647	8,769	(+132)	(—837)	(—705)
2	1961.62	6,270	5,407	11,677	6,437	4,649	11,086	(—167)	(+758)	(+591)
3	1962.63	8,332	3,432	11,764	7,093	4,063	11,156	(+1,239)	(—631)	(+608)
4	1963.64	9,097	2,281	11,378	8,624	3,974	12,598	(+473)	(—1,693)	(—1,220)
5	1964.65	10,364	3,036	13,400	9,435	4,183	13,618	(+929)	(—1,147)	(—218)
6	1965.66	12,070	3,422	17,492	11,351	5,823	17,174	(+719)	(—401)	(+318)
7	1966.67	13,559	3,908	17,467	12,976	4,485	17,461	(+583)	(—577)	(+6)
8	1967.68 ( R. B. E. )	15,061	6,910	21,971	14,658	6,926	21,584	(+403)	(—16)	(+387)
9	1968.69 ( B. E. )	16,453	5,600	22,053	15,153	7,042	22,195	(+1300)	(—1,442)	(—142)

\*Relates to period from 1st May 1960 to 31st March 1961.

TABLE 12

( Para 3.15 )

*Share from centrally collected taxes and grants in aid*

( Rupees in lakhs. )

Sr. No.	Item	Year								
		1st May 1960 to 31st March 1961	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68 (R.B.E.)	1968-69 (B.E.)
1	2	3	4	5	6	7	8	9	10	11
1	SHARE FROM Taxes on income other than Corporation Tax.	860.38	913.75 (613.75 + 300)	455.28	575.91	590.76	588.70	723.46	925.59	787.36
2	Estate duty	11.29	16.90	20.74	19.73	31.69	32.38	18.27	57.24	34.25
3	Union Excise duty	465.70	157.73	504.80	595.66	555.41	645.45	897.36	972.93	10,38.91
4	Additional duties of excise.	..	398.46	392.06	379.61	66.38	390.90	424.19	314.06	462.89
5	Share of net proceeds assigned under Bombay Re-organisation Act.	302.00	314.00	..	..	..	—	..	..	..
6	Grants-in-aid	119.48	698.22	1166.61	1,120.62	1,389.89	2,104.85	1,721.27	2,208.16	2,516.02

TABLE 13

( Para 3.15 )

*Collection of Income Tax from Gujarat State*

(Rs. in crores )

Sr. No.	Year								Collection
1	2								3
1	1960-61	..	..	..	..	..	..	..	15
2	1961-62	..	..	..	..	..	..	..	21
3	1962-63	..	..	..	..	..	..	..	26
4	1963-64	..	..	..	..	..	..	..	30
5	1964-65	..	..	..	..	..	..	..	30
6	1965-66	..	..	..	..	..	..	..	31
7	1966-67	..	..	..	..	..	..	..	36
8	1967-68 ( Estimates )	..	..	..	..	..	..	..	39

TABLE 14

( Para 3.17 )

*Receipts from State taxes under Revenue account*

( Rupees in lakhs )

Sr. No.	Item	1961-62	1965-66	1966-67	1967-68 (R.B.E.)	1968-69 (B.E.)
1	2	3	4	5	6	7
1	Taxes on commodities and services ( excluding union excise ).	2,015 (74.38)	4,005 (78.68)	5,038 (83.00)	5,743 (83.96)	6,528 (84.54)
1.1	State excise .. ..	31 (1.14)	49 (0.96)	50 (0.82)	56 (0.82)	56 (0.72)
1.2	Sales Tax .. ..	1,382 (51.02)	2,698 (53.00)	3,514 (57.89)	4,007 (58.58)	4,570 (59.18)
1.3	Taxes on vehicles ..	339 (12.51)	384 (7.54)	420 (6.92)	495 (7.24)	535 (6.93)
1.4	Entertainment tax ..	97 (3.58)	175 (3.44)	235 (3.87)	255 (3.73)	275 (3.56)
1.5	Electricity duty ..	151 (5.57)	307 (6.03)	357 (5.88)	400 (5.85)	425 (5.50)
1.6	Other taxes and duties ..	15 (0.56)	392 (7.71)	462 (7.62)	530 (7.24)	667 (8.65)
2	Taxes on property and capital transaction ( excluding Estate duties ).	694 (25.62)	1,085 (21.32)	1,032 (17.00)	1,097 (16.04)	1,194 (15.46)
2.1	Land revenue ..	464 (17.13)	732 (14.38)	632 (10.41)	663 (9.69)	732 (9.48)
2.2	Stamps and Registration ..	230 (8.49)	353 (6.94)	400 (6.59)	434 (6.35)	462 (5.98)
3	Total receipts from State taxes on revenue account	2,709 (100.00)	5,090 (100.00)	6,070 (100.00)	6,840 (100.00)	7,722 (100.00)

Note.—Figures in the brackets show the percentage to the total receipts from State taxes as shown in the column No. 3.

TABLE 15

( Para 3.18 )

*Growth in tax revenue, land revenue and sales tax revenue in all States.*

( Crores of Rupees )

Sr. No.	Particulars	1951-52 (Accou- nts)	Total first Plan (1956-57 to 1960-61)	Total second Plan (1956-57 to 1960-61)	1961-62 (Acco- unts)	1965-66 (Acco- unts)	Total Third Plan (1961-62 to 1965-66)	1966-67 (R. B. E.)	1967-68 (B. E.)
i	2	3	4	5	6	7	8	9	10
1	Total tax revenue (exclud- ing share of central taxes).	227.7	1,264.7	1,893.5	483.6	842.0	3,341.1	924.2	1,030.0 (1,058.4)
2	Land revenue ..	48.0	326.7	455.0	95.2	111.9	570.3	87.9	98.7
3	Sales Tax (including Sales Tax on motor spirit).	58.9	337.0	634.2	181.4	367.8	1,344.8	434.0	494.4
4	(2) as proportion of (1) ..	21.08	25.83	24.03	19.68	13.29	17.06	9.51	9.58 (9.32)
5	(3) as proportion of (1) ..	25.86	26.64	33.49	37.51	43.68	40.25	46.95	48.00 (46.71)

*Note.*—The figures for 1967-68 (B. E.) are before tax changes ; the position after tax changes as proposed by the Governments of Assam, Gujarat, Haryana, Jammu and Kashmir, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Orissa and Rajasthan is shown in brackets.

*Source.*—Reserve Bank of India Bulletin August, 1967.

TABLE 16

( Para 3.19 )

*Total tax receipts, receipts under revenue account, receipts under the sales tax and the percentage of sales tax to the total revenue receipts of Gujarat as well as to the total tax receipts of Gujarat*

( Rupees in lakhs )

Sr. No.	Details	1961-62	1965-66	1966-67	1967-68 (R. B. E.)	1968-69 ( B. E. )
1	2	3	4	5	6	7
1	Tax receipts under revenue account ..					
	(i) Centrally collected taxes ..	1,801	1,657	2,064	2,270	2,323
	(ii) State taxes ..	2,709	5,090	6,070	6,840	7,722
	Total ..	4,510	6,747	8,134	9,110	10,045
2	Total receipts of Gujarat State under revenue account.	6,270	12,070	13,559	15,061	16,458
3	Net receipts under Sales Tax ..	1,382	2,698	3,514	4,007	4,570
4	Percentage of sales tax receipts to total revenue receipts of Gujarat State.	22.04%	22.35%	25.91%	26.60%	27.78%
5	Percentage of Sales Tax receipts to total tax receipts under revenue account.	30.64	39.98	43.20	43.95	45.49
6	Percentage of Sales Tax receipts to total receipts of State Taxes.	51.02%	53.00%	57.89%	58.58%	59.18%

TABLE 17

( Para 3.20 )

*Per capita Sales Tax Revenue in different States in India with population in each State*

Sr. No.	States		Total* populatoin (Lakhs)	Urban population (Lakhs)	Percentage of Urban population to total population	Sales Tax Revenue in 1965-66 (Budget) (Rs. in crores)	Per capita Sales Tax Revenue (Rs.)
1	2		3	4	5	6	7
1	Andhra Pradesh	...	360	63	17.44	22.00	6.11
2	Assam	...	119	9	7.69	7.36	6.20
3	Bihar	..	464	39	8.43	18.6	4.00
4	Gujarat	..	206	53	25.77	** 22.38	10.85
5	Jammu and Kashmir	..	36	6	16.66	.85	2.39
6	Kerala	..	169	25	15.11	17.45	10.32
7	Madhya Pradesh	..	324	46	14.29	18.79	5.80
8	Madras	..	337	90	26.69	34.81	10.33
9	Maharashtra	..	395	111	28.22	60.86	15.39
10	Mysore	..	236	53	22.33	17.25	7.31
11	Orissa	..	175	11	6.32	8.32	4.74
12	Punjab	..	203	41	20.13	17.00	8.37
13	Rajasthan	..	202	33	16.28	11.67	5.79
14	Uttar Pradesh	..	737	95	12.85	22.57	3.06
15	West Bengal	..	349	85	24.45	35.69	10.22
16	All States	..	4,313	761	17.65	315.56	7.32

\* As per 1961 Census.

\*\* Actuals Rs. 26.98 crores.

TABLE 18

( Para 4.09 )

*Year-wise position of registered dealers and document holders in Gujarat State*

Particulars	As on 31st March 1960	As on 31st March 1961	As on 31st March 1962	As on 31st March 1963	As on 31st March 1964	As on 31st March 1965	As on 31st March 1966	As on 31st March 1967
1	2	3	4	5	6	7	8	9
1. No. of Registered dealers under Bombay Sales Tax Act, 1959.	39,691	41,933	47,766	51,786	57,185	62,325	67,319	73,239
2. No. of licenced dealers	5,767	6,178	6,179	6,205	8,044	9,131	9,989	10,830
3. No. of dealers holding Authorisation.	1,247	1,483	1,540	1,608	1,668	1,725	1,770	1,817
4. No. of dealers holding recognition.	3,207	3,334	3,359	3,363	3,579	3,679	3,831	4,000
5. No. of dealers holding permits.	515	532	446	406	397	391	386	399
6. No. of dealers registered under the Central Sales Tax Act, 1956.	18,075	24,689	27,647	30,132	32,929	35,677	38,353	41,311
7. No. of licenced dealers under Motor Spirit Taxation Act.	602	620	628	620	648	674	714	761

TABLE 19

( Para 4.09 )

*Number of registered dealers as well as document holders as on 31st March 1967*

Sr. No.	Districts	No. of registered dealers	No. of dealers holding Licence	No. of dealers holding Authorisation	No. of dealers holding Recognition	No. of dealers holding permit	Dealers registered under CST Act, 1956
1	2	3	4	5	6	7	8
1	Rajkot ..	6,280	672	137	521	40	3,484
2	Jamnagar ..	2,580	424	145	447	44	1,819
3	Kutch ..	2,101	205	31	36	12	1,025
Range-I Total ..		11,961	1,331	313	1,004	96	6,328
4	Bhavnagar ..	4,231	610	95	338	85	2,047
5	Junagadh ..	4,875	481	91	183	43	1,744
6	Surendranagar ..	3,079	447	59	144	23	1,088
7	Amreli ..	1,704	175	25	71	18	619
Range-VI Total ..		13,889	1,713	270	736	169	5,498
8	Ahmedabad *	16,044	3,289	479	877	17	10,811
9	Banaskantha ..	1,445	187	8	14	18	857
10	Mehsana ..	4,047	1,006	162	80	46	2,009
11	Sabarkantha ..	2,067	300	15	50	..	890
12	Kaira ..	4,835	556	68	149	5	2,921
Range II & IV Total ..		28,438	5,338	732	1,170	86	17,488
13	Baroda ..	4,967	559	57	166	2	2,726
14	Panchamahals ..	1,683	223	36	58	3	881
15	Broach ..	1,845	303	40	41	3	1,004
Range III Total ..		8,495	1,085	133	265	8	4,611
16	Surat ..	7,531	1,127	321	648	13	5,565
17	Bulsar * *	2,925	236	38	177	27	1,821
Range-V Total ..		10,456	1,363	359	825	40	7,386
Grand Total ..		73,239	10,830	1,807	4,000	399	41,311

\* (1) Figures of Gandhinagar included are in Ahmedabad District.

\* (2) Figures of Dang, are included in Bulsar District.

TABLE 20

( Para 4.10 )

*Number of dealers, their net turnover and taxes paid by different ranges of sales / Sales Tax Survey 1962-63*

Sr. No.	Ranges of sales in Rs.		No. of dealers	Total net turnover in Rs. '000	Total taxes paid in Rs.	
1	2		3	4	5	
1.2	Upto	10,000	..	4,631	24,661	5,32,120
3	10,001 to	30,000	..	9,020	2,36,641	22,63,284
4	30,001 to	50,000	..	6,285	2,47,956	28,36,425
5	50,001 to	1,00,000	..	9,067	8,52,616	68,16,152
6	1,00,001 to	2,00,000	..	7,548	11,73,052	1,08,95,753
7	2,00,001 to	3,00,000	..	3,325	8,18,991	91,76,903
8	3,00,001 to	4,00,000	..	1,779	6,82,388	59,55,943
9	4,00,001 to	5,00,000	..	1,101	4,93,489	48,54,320
10	5,00,001 to	10,00,000	..	2,492	17,36,526	1,50,60,068
11	Above	10,00,000	..	2,296	93,33,849	4,91,45,209
Total			..	47,544	1,56,00,169	10,75,36,177

TABLE 21

( Para 4.10 )

*Dealers, their net turnover and taxes paid by different ranges of taxes / sales tax survey 1962-63*

Sr. No.	Total taxes paid in Rs.		No. of dealers	Net turnover in Rs. '000	Taxes paid in Rs.
	2		3	4	5
1	Upto 100	.. ..	20,706	34,44,123	3,47,334
2	101 to 1,000	.. ..	13,724	27,03,467	58,52,519
3	1,001 to 5,000	.. ..	9,114	28,53,562	2,12,61,807
4	5,001 to 10,000	.. ..	2,051	17,86,150	1,46,82,438
5	10,001 to 20,000	.. ..	1,170	16,80,565	1,68,33,277
6	20,001 to 30,000	.. ..	349	7,56,363	84,64,969
7	30,001 to 50,000	.. ..	217	7,73,034	82,48,071
8	50,001 to 1,00,000	.. ..	140	7,80,469	96,24,615
9	More than 1,00,000	.. ..	73	8,22,526	2,22,21,166
Total			47,544	1,56,00,259	10,75,36,206

TABLE 22

( Para 4.10 )

*Classification of dealers according to turnover and tax paid ( 1965-66 )*

Sr. No.	Turnover Groups			No. of dealers		Turn over		Tax paid		
				Number	Per- centage	Amount	Per- centage	Amount	Per- centage	
1	2			3	4	5	6	7	8	
						Rs.		Rs.		
1	0,001	to	10,000	..	4,897	7.48	2,57,54,794	.11	6,12,513	.33
2	10,001	to	20,000	..	6,008	9.17	8,92,31,924	.39	14,49,598	.77
3	20,001	to	30,000	..	5,589	8.54	13,72,91,984	.59	17,46,434	.94
4	30,001	to	40,000	..	4,252	6.49	14,26,54,638	.62	25,90,141	1.39
5	40,001	to	50,000	..	3,672	5.61	16,35,72,855	.71	35,15,690	1.88
	Total			..	24,418	37.29	55,85,06,195	2.42	99,14,376	5.31
6	50,001	to	1,00,000	..	10,879	16.61	79,51,77,142	3.43	1,06,53,123	5.71
7	1,00,001	to	2,00,000	..	9,752	14.89	1,41,40,91,485	6.11	1,66,45,832	8.92
8	2,00,001	to	3,00,000	..	5,308	8.11	1,37,45,31,575	5.94	1,14,96,366	6.16
9	3,00,001	to	4,00,000	..	2,293	3.50	81,09,80,561	3.50	81,22,502	4.35
10	4,00,001	to	5,00,000	..	1,558	2.38	68,44,15,846	2.59	77,48,575	4.15
	Total			..	18,911	28.88	4,28,40,19,467	18.50	4,40,13,275	23.58
11	5,00,001	to	10,00,000		3,212	4.91	2,24,59,72,908	9.70	2,05,63,337	11.01
12	10,00,001	to	more than		3,131	4.78	15,27,09,32,050	65.95	10,15,66,730	54.39
	Total			..	6,343	9.69	17,51,69,94,958	75.65	12,21,30,067	65.40
	Other dealers			..	4,932	7.53	..	..	..	..
	Grand Total			..	65,483	100.00	23,15,46,07,762	100.00	18,67,10,841	100.00

TABLE 23 (a)

( Para 4.12 )

UNDER BOMBAY SALES TAX ACT, 1959

*Yearwise position of Assessments pending at the beginning of the year additions and disposal during the year, and assessments pending at the end of the year*

Sr. No.	Year	Assessment pending at the beginning of the year	Assessments added during the year	Total Total of Col. No. 3 and 4	Assessments cleared during the year	Assessments pending at the end of the year	Remarks
1	2	3	4	5	6	7	8
1	1960-61*	..	1,25,567	59,404	1,84,971	51,154	1,33,817
2	1961-62	..	1,33,817	52,756	1,86,573	62,853	1,23,720
3	1962-63	..	1,23,720	52,100	1,75,820	55,721	1,20,099
4	1963-64	..	1,20,099	61,551	1,81,650	54,839	1,26,811
5	1964-65	..	1,26,811	63,031	1,95,842	69,890	1,25,952
6	1965-66	..	1,25,952	67,605	1,93,557	74,973	1,18,584
7	1966-67	..	1,18,584	90,141	2,08,725	64,366	1,44,359

\*Relates to period from 1st May 1960 to 31st March 1961.

TABLE 23 (b)

( Para 4.12 )

## UNDER CENTRAL SALES TAX ACT, 1956

*Yearwise position of Assessment pending at the beginning of the year, additions and disposal during the year and assessments pending at the end of the year*

Sr. No.	Year	Assessments pending at the beginning of the year	Assessments added during the year	Total of Col. 3 and 4	Assessments cleared during the year	Assessment pending at the end of the year	Remarks
1	2	3	4	5	6	7	8
1	1960-61 * ..	28,999	18,781	47,780	8,710	39,070	
2	1961-62 ..	39,070	33,102	72,172	17,260	54,912	
3	1962-63 ..	54,912	32,057	86,969	20,739	66,230	
4	1963-64 ..	66,230	34,031	1,00,261	22,194	78,067	
5	1964-65 ..	78,067	34,830	1,12,897	33,899	78,998	
6	1965-66 ..	78,998	40,011	1,19,009	43,181	75,828	
	1966-67 ..	75,828	46,291	1,22,119	42,705	79,414	

\* Relates to period from 1st May 1960, 1961 to 31st March

TABLE 24

( Para 4.12 )

*Range-wise position of pending Assessments as on 31st March 1967 of the cases (up to 1965-66 S. Y. 2022) and calendar year 1966 )*

Division	Under the B.S.T. Act	Under C.S.T. Act
1	2	3
Range-I .. .. .	26,388	12,538
Range-VI .. .. .	30,040	12,339
Total of Rajkot Division ..	56,428	24,877
Range-II .. .. .	17,325	13,645
Range-IV .. .. .	32,865	17,294
Total of Ahmedabad Division ..	50,190	30,939
Range-III .. .. .	19,321	10,433
Range-V .. .. .	18,420	13,165
Total of Baroda Division ..	37,741	23,598
Grand Total ..	1,44,359	79,414



TABLE 25 (a)

( Para 4.13 )

*The pendency position of appeals before the Appellate authorities under Bombay Sales Tax Act*

Year			Opening Balance at the beginning of the year	Receipts during the year	Total	Disposal during the year	Balance at the end of the year
1			2	3	4	5	6
1964-65	..	..	4,188	3,963	8,151	3,509	4,642
1965-66	..	..	*4,486	4,236	8,722	3,158	5,564
1966-67	..	..	5,564	3,560	9,124	3,379	5,745

\*Revised figures.

TABLE 25 (b)

( Para 4.13 )

*The pendency position of appeals before the Appellate authorities under Central Sales Tax Act*

Year			Opening Balance at the beginning of the year	Receipts during the year	Total	Disposal during the year	Balance at the end of the year
1			2	3	4	5	6
1964-65	..	..	112	239	351	134	217
1965-66	..	..	217	394	611	165	446
1966-67	..	..	446	333	779	279	500

TABLE 26 (a)

( Para 4.13 )

*The pendency position of revisions and second appeals before the Deputy Commissioner of Sales Tax (Appeals) under Bombay Sales Tax Act*

Year			Opening Balance at the beginning of the year	Receipts during the year	Total	Disposal during the year	Balance at end of the the year
1			2	3	4	5	6
1964-65	..	..	806	411	1,217	399	818
1965-66	..	..	818	415	1,233	403	830
1966-67	..	..	830	289	1,119	456	663

TABLE 26 (b)

( Para 4.13 )

*The pendency position of revisions before the Deputy Commissioner of Sales Tax ( Appeals) under Central Sales Tax Act*

Year			Opening Balance at the beginning of the year	Receipts during the year	Total	Disposal during the year	Balance at the end of the year
1			2	3	4	5	6
1964-65	..	..	20	10	30	11	19
1965-66	..	..	19	16	35	10	25
1966-67	..	..	25	4	29	7	22

TABLE

( Para

*Districtwise collection of tax for*

Sr. No.	Name of District	Collection of tax during 1961-62			
		Under Bombay Sales Tax Act 1959	Under Central Sales Tax Act, 1956	Under Motor Spirit Taxation Act, 1958	Total
1	2	3	4	5	6
1	Ahmedabad *	4,25,54,147	44,42,739	88,48,777	5,58,45,663
2	Amreli	19,61,897	3,68,991	42	23,30,930
3	Kutch	20,15,726	1,33,359	2,908	21,51,993
4	Kaira	57,54,109	5,21,917	101	62,76,127
5	Gandhinagar*	..	..	..	..
6	Jamnagar	59,84,629	5,26,918	826	65,12,373
7	Junagadh	70,02,521	7,45,647	..	77,48,168
8	Dang **	..	..	..	..
9	Panchmahals	21,71,943	2,34,915	298	24,07,156
10	Banaskantha	8,59,469	33,226	16	8,92,711
11	Broach	20,60,527	7,11,844	26	27,72,397
12	Bhavnagar	72,34,624	6,08,156	6,042	78, 48,822
13	Mehsana	34,96,875	5,77,996	100	40,74,971
14	Rajkot	94,81,235	14,33,080	62	1,09,14,377
15	Baroda	75,55,576	14,82,767	79	90,38,422
16	Bulsar **	..	..	..	..
17	Sabarkantha	19,98,668	46,233	21,763	20,66,664
18	Surat	1,15,76,988***	21,02,900***	66,506***	1,37,46,394
19	Surendranagar	23,94,334	5,39,983	6	29,34,373
Total ..		11,41,03,318	1,45,10,671	89,47,552	13,75,61,541
Suspense slip + ..		1,54,319	..	..	1,54,319
Transfer Entry + ..		17,67,423	..	4,18,464	21,85,887
Total ..		11,60,25,060	1,45,10,671	93,66,016	13,99,01,747
Less Refund ..		16,77,110	..	..	16,77,110
Net Total ..		11,43,47,950	1,45,10,671	93,66,016	13,82,24,637

*Note.*—The figures for the year 1967-68 are un-reconciled.

\*Figures of Ahmedabad include those for Gandhinagar district also.

\*\*Figures for Bulsar include those for Dangs District also.

\*\*\*This include collection of Bulsar also as Bulsar was then part of Surat district.

27

4.14 )

the years 1961-62 and 1967-68

Under Bombay Sales Tax Act, 1959	Collection of tax during 1967-68			Total
	Under Central Sales Tax Act, 1956	Under Motor Spirit Taxation Act, 1958		
7	8	9		10
11,29,71,944	2,94,25,850	2,24,59,486		16,48,57,280
61,28,775	94,473	162		62,23,410
44,19,625	9,47,179	5,05,579		58,72,383
1,34,59,249	40,76,633	597		1,75,36,479
..	..	..		..
1,35,71,684	29,56,771	39		1,65,28,494
1,63,44,285	23,63,984	..		1,87,08,269
..	..	..		..
34,41,087	5,17,802	..		39,58,889
17,71,009	62,146	28		18,33,183
1,71,30,948	46,04,589	44		2,17,35,581
1,41,24,407	21,54,130	85		1,62,78,622
88,37,384	45,61,270	57		1,33,98,911
2,43,37,615	32,70,482	35		2,76,08,132
2,01,52,014	86,47,364	1,66,069		2,89,65,447
73,73,973	39,01,077	..		1,12,75,050
36,68,820	1,62,189	42		38,31,051
2,28,50,221	59,30,255	..		2,87,80,476
58,50,889	25,97,587	16		84,48,492
29,64,33,929	7,62,73,981	2,31,32,239		39,58,40,149
..	..	..		..
41,36,092	..	..		41,36,092
29,22,97,837	7,62,73,981	2,31,32,239		39,17,04,057

TABLE 27 (a)  
( Para 4.14 )

Statement showing receipts, expenditure and cost of collection of Sales Tax Department

Particulars / Year.	1960-61 ( from 1st May 1960 to 31st March 1961 )	1961-62 Accounts	1962-63 Accounts	1963-64 Accounts.	1964-65 Accounts.	1965-66 Accounts	1966-67
1. Gross total receipts ( in Rupees )	.. 10,73,26,207	14,02,92,583	15,67,35,663	19,79,14,811	24,99,90,497	27,27,56,005	35,46,91,334
2. Net total receipts ( in Rupees )	.. 10,53,26,225	13,82,40,589	15,38,63,585	19,60,06,400	24,80,85,537	26,97,87,119	35,12,95,344
3. Expenditure ( in Rs. ) ( S. T. other commodities )	.. 22,01,099	29,01,438	31,63,654	33,43,720	39,42,757	44,82,973	52,85,000
4. Percentage of to net expenditure receipts. ..	2.089	2.098	2.056	1.705	1.589	1.661	1.504

TABLE 28(a)  
( Para 4.15 )

Yearwise position of outstanding recovery, demand raised and amount recovered under the Bombay Sales Tax Act.

Particulars	As on 1st May 1960	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67
1	2	3	4	5	6	7	8	9
1 Recoveries outstanding ( In Rs. )	..	77,61,709	78,56,006	87,89,863	97,15,284	1,10,09,988	1,32,45,884	1,44,80,002
Extra demand raised during the year.. ( In Rs. ).	..	47,65,127	84,27,673	1,02,06,512	1,10,40,914	1,28,71,546	1,57,83,331	1,55,50,531
3. Recoveries effected during the year ( In Rs. ).	..	46,70,830	74,93,996	92,89,874	96,97,052	1,06,94,770	1,45,49,214	1,36,14,751
4. Balance remaining to be recovered at the end of the year ( In Rs. ).	77,61,709	78,56,006	87,89,683	97,06,321	1,10,59,146	1,32,46,764	1,44,80,001	1,64,15,782

TABLE 28(b)

( Para 4.15 )

*Yearwise position of outstanding, extra demand raised and amount recovered under the Central Sales Tax Act, 1956*

Particulars	1960-61 ( 1st March 1960 to 31st May 1961 )	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67
1	2	3	4	5	6	7	8
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Recovery outstanding at the beginning of the year.	37,632	84,265	3,26,819	5,61,327	10,44,269	28,37,728	34,36,360
2. Extra demand raised during the year.	1,27,570	5,85,317	7,11,004	12,76,810	27,89,318	37,68,539	19,32,961
3. Recoveries effected during the year.	81,027	3,42,763	4,82,827	7,93,866	9,94,423	31,72,304	19,86,949
4. Balance remaining to be recovered at the end of the year.	84,175	3,26,819	5,54,996	10,44,271	28,39,164	34,33,463	33,82,372

TABLE 28(c)

( Para 4.15 )

*Yearwise position of recovery, extra demand raised and amount recovered under the Motor Spirit Taxation Act.*

Particulars	1960-61 (1st May 1960 to 31st March 1961)	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67
1	2	3	4	5	6	7	8
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Recoveries outstanding at the beginning of the year,	55,468	52,506	52,587	45,063	44,849	43,533	47,208
2. Extra demand raised during the year.	1,41,940	6,79,298	96,334	2,35,852	14,580	2,07,706	12,56,350
3. Recovery effected during the year.	1,44,902	6,79,217	1,04,386	2,36,066	15,896	2,04,108	10,94,034
4. Balance remaining to be recovered at the end of the year.	52,506	52,587	44,533	44,849	43,533	47,131	2,09,534

TABLE 29

( Para 4.15 )

*The total collection, the total outstanding and the percentage of total outstanding to the total collection*

Sr. No.	Year	Total receipts	Outstanding	Percentage of outstanding to total receipts
1	2	3	4	5
		Rs.	Rs.	
1	1960-61 .. ..	10,53,07,048	79,95,687	7.5
2	1961-62 .. ..	13,82,24,637	91,69,089	6.5
3	1962-63 .. ..	15,38,43,426	1,03,05,850	6.6
4	1963-64 .. ..	19,59,86,569	1,21,48,266	6.1
5	1964-65 .. ..	24,80,23,608	1,61,29,461	6.4
	1965-66 .. ..	26,97,51,456	1,79,60,595	6.7
7	1966-67 .. ..	35,12,70,959	2,00,07,688	5.7

TABLE 30

( Para 4.15 )

*Break up of recoveries outstanding as on 31st March 1967 for several reasons*

Sr. No.	Particulars	B.S.T. Act, 1959	C.S.T. Act, 1956
1	2	3	4
		Rs.	Rs.
1	Cases pending with Revenue Collectors .. .. .	61,45,610	8,32,604
2	Cases returned by the Revenue Authorities on account of non-availability of assets.	15,58,232	2,420
3	Case returned by the Revenue Collectors for the want of whereabouts of the dealers.	13,05,793	20,732
4	Cases admitted in the Civil Courts and High Court .. .. .	12,29,033	3,22,818
5	Cases referred to the Deputy Custodian of evacue property ..	81,104	..
6	Cases relating to Government offices wherein Recovery Proceedings are pending.	12,84,531	..
7	Cases ripe for being referred to the Revenue Collectors ..	3,05,302	99,515
8	Cases where the stay orders or instalments have been granted by the Appellate Revision Authorities.	27,12,095	16,91,958
9	Cases which are yet not ripe for being referred to for recovery ..	17,94,082	4,06,325
	Total ..	1,64,15,782	33,82,372

TABLE 31

( Para 4.16 )

*gewise position of seizure and non-seizure cases pending as on 31st March 1967*

Sr. No.	Range	No. of seizures cases	No. of non-seizure cases
1	2	3	4
1	Range I .. .. .	99	157
2	Range VI .. .. .	81	158
	Total of Rajkot Division ..	180	315
3	Range II .. .. .	570	99
4	Range IV .. .. .	112	109
	Total of Ahmedabad Division ..	682	208
5	Range III .. .. .	266	470
6	Range V .. .. .	239	295
	Total of Baroda Division ..	505	765
	Grand Total ..	1,367	1,288

TABLE 32

( Para 4.16 )

*Range wise position of cases investigated during the year 1965-67 and additional tax realised*

Sr. No.	Name	Complaints investigated	No. of cases assessed during the year	Amount of tax and penalty as a result of assessment or reassessment
1	2	3	4	5
1	Range I, Rajkot .. ..	252	157	2,29,833
2	Range VI, Bhavnagar .. ..	239	63	67,068
	Total ..	491	220	2,96,901
3	Range II, Ahmedabad -- --	318	368	9,17,873
4	Range IV, Ahmedabad -- --	160	46	95,646
	Total ..	478	414	10,13,519
5	Range III, Baroda -- --	362	203	4,00,332
6	Range V, Surat -- --	248	147	3,54,242
	Total ..	610	350	7,54,574
	Grand Total ..	1,579	984	20,64,994

TABLE 33

( Para 4.16 )

*Result of vigilance measures for year 1966-67.*

Sr. No.	Range	No. of entries collected	No. of cross checks verified in respect of R. D. S.	No. of U. R. D. assessed	Assessed dues
1	2	3	4	5	6
1	Range I, Rajkot --	3,707	892	117	Rs. 31,971
2	Range VI, Bhavnagar ..	7,951	1,856	385	1,12,340
	Total ..	11,658	2,748	502	1,44,311
3	Range III, Ahmedabad ..	2,509	71	62	1,19,375
4	Range IV, Ahmedabad	8,991	768	167	42,993
	Total ..	11,500	839	229	1,62,368
5	Range III, Baroda	9,854	608	95	77,617
6	Range V, Surat --	5,250	11,258	154	89,187
	Total ..	15,104	11,864	249	1,66,804
	Grand Total ..	38,262	15,451	980	4,73,483

TABLE 34.

( Para 6.13 )

*Number of Cotton Textile Units and value of their production*

Sr. No.	Items	Unit	1960	1961	1962	1963
1	2	3	4	5	6	7
1	<i>Number of factories:—</i>					
	(i) Registered ..	Nos.	104	104	112	109
	(ii) Reporting ..		102	104	112	109
2	Net value added by manufacture.	'000 Rs.	5,77,762	6,07,691	5,58,592	5,51,169
3	Gross value of output	'000 Rs.	15,66,842	16,65,101	17,16,210	17,64,404
	<i>Selected products and bye-products.</i>					
	(a) Cotton yarn ..	'000 Kgs.	8,643	9,218	12,658	16,220
		'000 Rs.	57,382	56,287	83,590	1,03,905
	(b) Yarn made partly or wholly from any fibre other than cotton.	'000 Kgs.	3,888	1,388	3,446	3,205
		'000 Rs.	31,765	10,778	23,962	20,797
	(c) Cotton cloth ( all types ) ..	'000 Metres	1,160	1,296	1,252	1,206
		'000 Rs.	12,42,026	14,16,696	12,21,603	14,06,572
	(d) Others ..	'000 Rs.	2,35,669	1,81,340	3,87,055	2,33,130

TABLE 35

( Para 6.14 )

*Number of Art Silk Units and their production*

Sr. No.	Items	Unit	1960	1961	1962	1963
1	2	3	4	5	6	7
1	<i>Number of factories:—</i>					
	(i) Registered ..	Nos.	53	51	51	55
	(ii) Reporting ..		52	51	51	55
2	Net value added by manufacture.	'000 Rs.	17,158	24,485	24,766	35,755
3	Gross value of output	'000 Rs.	76,427	1,23,876	1,32,895	1,76,540
	<i>Selected products and bye-products:</i>					
	(a) Artificial silk yarn ..	'000 Kgs.	3	..	..	2,128
		'000 Rs.	25	..	..	18,919
	(b) Other yarn ..	'000 Kgs.	9	2,723	849	706
		'000 Rs.	132	22,517	6,245	5,301
	(c) Art silk ( all types ) total ..	'000 Metres	41,415	14,222	43,539	52,074
		'000 Rs.	72,674	81,692	91,506	1,14,737
	(d) Others ..	'000 Rs.	3,596	19,667	35,144	37,583



TABLE 36

( Para 6-15 )

*Number of Sugar Factories and their production*

Sr. No.	Name of the factory	Installed capacity	Production of sugar (1966-67)	Value of sugarcane purchased (1966-67)	Purchase tax paid or payable (1966-67)
1	2	3	4	5	6
		( Tonnes sugar-cane per day )	Bags	Rs.	Rs.
1	Gandevi Khand Udyog Sahakari Mandli Ltd, Gandevi	700	43,815	37,17,243	3,71,724
2	Khedut Sahakari Khand Udyog Mandali Ltd,	800 to 1,000	1,49,045	94,69,682	9,46,970
3	Bileshwar Khand Udyog Khedut Sahakari Mandali Ltd,, Kodinar.	1,500	2,24,419	1,25,87,537	12,58,754.12
Total		.. ...	4,17,279	2,57,74,462	25,77,448.12



सत्यमेव जयते

TABLE 37  
( Para 11.08 )  
*Results of Audit by Accountant-General*

Year of Audit Report	Total No. of cases examined	Total No. of cases included in Audit Report		Cases in which audit accepted		Cases in which audit not accepted		Cases in which audit partly accepted		Remarks	
		Cases	Amount shown in Audit report	Cases	Amount	Cases	Amount	Cases	Amount accepted		Not accepted
1	2	3	4	5	6	7	8	9	10	11	12
Audit Report 1965	..	*955	*39,568	20	8,978	15	19,153	3	304	11,133	
Audit Report 1966	..	*2,552	*2,50,000	18	20,683	38	17,969	7	1,868	11,100	One case is (subjudice)
Audit Report 1967	..	*7,506	*1,31,000	13	25,592	27	89,575	9	10,010	1,16,477	Amount involved.
Audit Report 1965.—Total amount accepted : 8,978+304=9,282 as against Rs. 39,568. About 25 per cent accepted.											
Audit Report 1966.—Total amount accepted : 20,683+1,868=22,551 as against Rs. 1,68,137 as worked out by Department in respect of cases shown in Column 3. ( excluding Rs. 80,236 of Waghai Depot ) About 13 per cent accepted.											
Audit Report 1967.—Total amount accepted : 25,592+10,010=35,602 as against Rs. 1,36,820 about 25 per cent. accepted.											

\* Figures as taken from Audit Reports.

## APPENDIX A

( Para 1.05 )

*Resolution of Government constituting the Committee*

( Government of Gujarat, Finance Department, Resolution No. VVA-1067 / 1558 / 2348-TH-Sachivalaya, Ahmedabad-15, dated the 19th June, 1967 ).

## RESOLUTION

The Bombay Sales Tax Act, 1959, largely based on the recommendations of the Sales Tax Enquiry Committee ( 1957-58 ) has been in force in Gujarat with amendments made from time to time. The present scheme of sales tax is a composite system combining first point tax to be paid by manufacturers, processors and importers with General Sales Tax to be paid at the last wholesale or semi-wholesale stage and a retailers turnover tax at the retail stage.

2. To ensure the smooth working of the Act, Government has been taking various steps including the constitution of an Advisory Committee at the State level. However, suggestions from the Advisory Committee as well as from various other quarters have been made from time to time concerning various aspects of the administration of the sales tax law and particularly, about the simplification of the procedure. It has been the practice of the Government to accept such of those suggestions which were cogent and deserving. However, a need for rationalisation of the structure and further simplification of the procedure of assessment with a view to remove the hardship of the dealers cannot be denied.

3. Government has, therefore, decided to constitute a Committee consisting of the following persons :—

(1) Shri Maldevji M. Odedra	..	..	Chairman
(2) Shri Gangaram C. Raval, M. L. A., Mehsana	..	..	Member
(3) Shri Liladhar P. Patel, M. L. A., Jammagar	..	..	Member
(4) Shri Vithalbhai P. Amin, Ahmedabad	..	..	Member
(5) Shri Surajram H. Bachkaniwala, Surat	..	..	Member
(6) Shri Chandulal B. Satia, Ahmedabad	..	..	Member
(7) Shri Kundanlal J. Dholakia, Bhuj	..	..	Member
(8) Shri Ratilal N. Chitalia, Rajkot	..	..	Member
(9) Shri Narhar B. Vaze, Baroda	..	..	Member
(10) Shri S. M. Ghosh, Industries Commissioner	..	..	Member
(11) Shri V. R. Mehta, Commissioner of Sales Tax	..	..	Member-Secretary.

4. The terms of reference of the Committee are as follows :—

(1) To examine the present system of Sales Tax and to review its working.

(2) To make recommendations on—

(a) Rationalisation of the structure of sales tax ;

(b) Simplification of the procedure ;

(c) Measures to be taken for removing hardships to dealers ; and

(d) Improvement in the quality of the administrative system and personnel while making recommendations, the Committee will give due regard to (a) the revenue requirements of the State and (b) control to avoidance and evasion of tax.

5. The Committee shall submit its report within a period of six months.

6. The Committee shall have the Status of a State Level Committee as laid down in Appendix XLII-A of Volume II of the Bombay Civil Services Rules Manual. The Secretary of the Committee shall be the controlling as well as the countersigning authority in respect of bills of travelling allowance of non-official members of the Committee.

7. The expenditure incurred for the Committee, including that on travelling allowance or conveyance allowance of the non-officials members of the Committee shall be debited to the Head of Account "12-Sales Tax-Collection Charges-(a)-Sales Tax-Other Commodities-Under Grant-No. 6."

By order and in the name of the Governor  
of Gujarat,

( Sd.) F. N. RANA,

Additional Chief Secretary to the Government of  
Gujarat, Finance Department.



## APPENDIX B

( Para 1.05 )

*Resolution of Government modifying Terms of reference*

( Government of Gujarat, Finance Department, Resolution No. VVA. 1068 / 128 / TH-Sachivalaya, Ahmedabad-15, dated the 9th January, 1968 ).

*Read.*—Government Resolution, Finance Department No. VVA-1067 / 1558 / 2348 / TH, dated the 19th June, 1967.

RESOLUTION.—Government is pleased to modify para 4(2) (a) of the Government resolution quoted above which lays down the terms of reference of the sales tax Enquiry Committee so as to make para 4(2)(a) read as follows:—

“4 (2) (a) System of Sales Tax and rationalisation of the structure of Sales Tax.”

By order and in the name of the Governor  
of Gujarat,

(Sd.) K. V. HARIHAR DAS,

Deputy Secretary to the Government of Gujarat  
Finance Department



## APPENDIX C

( Para 1-07 )

## SALES TAX INQUIRY COMMITTEE

( 1967 )

## QUESTIONNAIRE

The Questionnaire is intended to elicit the views of important organisations and individuals who are connected with or interested in the administration of Sales Tax.

(1) It is not necessary for them to answer all the parts of all the questions in a particular part, though the committee would welcome their views on as many of the subjects as they may like to deal with.

(2) Details for references are given in Annexure wherever necessary.

(3) Unless reference to context means otherwise, references to the Act, Section, Rule or Schedule will mean those mentioned in the Bombay Sales Tax Act, 1959 or the Rules thereunder.

## PART I

## PRESENT SYSTEM OF SALES TAX AND ITS WORKING

1. *Present system of Sales Tax.*—There are different system of sales tax in different States in India. Each system of sales tax or combination of one or more systems has advantages as well as disadvantages. The Sales Tax Inquiry Committee ( 1957-58 ) after weighing advantages and disadvantages of the various systems suggested a composite system. This system is the basis of the Bombay Sales Tax Act, 1959 which is in force in Gujarat. It was adopted as most convenient from the point of view of (a) simplification, (b) uniformity of application and incidence in all areas, (c) control of evasion and (d) the revenue requirements of the State.

( For details of the present system, please see *Annexure II* ).

(i) Do you consider that the present system has served to fulfil the aims as stated above ?

(ii) Have you any a suggestions to make as to how best the present system can serve to fulfil all the above aims ?

2. *Working of the system.*—Have you any observations to make generally with regard to the working of the present system or the principles of Sales Tax ?

## PART II

## RATIONALISATION OF THE STRUCTURE OF SALES TAX

1. *Classification of goods and levy of tax.*—Under the present composite system there is a single point levy of sales tax on goods listed in Schedule B Part I and Schedule C, levy of general sales tax on goods listed in schedule B Part II and schedule D, levy of Sales tax and general sales tax on goods listed in Schedule E, levy of purchase tax on goods which are purchased from a person or Government who or which is an unregistered dealer and levy of retail sales tax on the turnover of sales of any goods listed in Schedules C, D, and E.

(i) Do you suggest modifications in the stage or stages of sale or purchase at which any class or classes of goods should be taxed ?

(ii) If so, reasons may be given in support of modifications suggested.

2. *Rate structure.*—It is said that the number of Schedules in the Act and a large number of rate structures for different goods make the tax structure complicated.

- (i) Do you agree with this view ?
- (ii) If so, what are your suggestions for rationalisation of the structure of sales tax particularly :—
  - (a) by reducing the number of schedules,
  - (b) by reducing the number of goods listed in different schedules, and
  - (c) by reducing the different slabs of rates of tax, keeping in view simplification, equitable incidence of tax, control of evasion, and revenue requirements of the State ?
- (iii) Please give a model of schedules showing in each schedule arrangement of the commodities and rates of tax thereon.

3. *Rates of tax based on price differentiation.*—Different rates have been provided for certain commodities based on differentiation of prices *e. g.* Saris, ( entries number 3, 8, 11-A and 19 in Schedule E ) footwear ( entry No. 24 in schedule A, entries 21 and 44-F in Schedule C ) etc. It is stated that this causes complications in the maintenance of accounts, assessments of tax and encourages evasive practices.

- (i) Do you agree with this view ?
- (ii) If so, do you suggest that different rates of tax on the same commodity based on price differentiation should be removed ?
- (iii) Do you suggest continuance of different rates based on price differentiation in case of certain commodities which are luxury or non-essential goods ?
- (iv) If so, what are the commodities in respect of which you would suggest different rates based on price differentiation ?

4. *Tax free goods.*—In Schedule A, are listed goods, the sale or purchase of which is free from all taxes.

- (i) Please state the principles, which you think, should govern the selection of goods for exemption.
- (ii) Do you suggest modifications in the list of tax free goods ? If so, reasons may be given in support of the modifications suggested.

5. *Exemption of products of small scale and cottage industries.*—It has been stated that products of small scale industries, cottage industries, other than those defined in the Khadi and village Industry Commission Act, 1956 require to be exempted from payment of tax.

- (i) Do you agree that such products require exemption ?
- (ii) If so, what types of products of small scale and cottage industry should be exempted ?
- (iii) Suggestions may be made as to how exemption should be granted without giving scope for evasion of tax by dealers dealing in resembling products.

6. *Exemption from the payment of the whole or part of the tax.*—According to section 41 of the Act Government may, if it is necessary so to do in public interest by notifications in the official Government Gazette, exempt any specified class of sales or purchases from payment of the whole or any part of any tax payable under the provisions of the Act. The Government has granted exemptions by issuing notifications from time to time to the class of sale or purchase as shown in *annexure III*. It is stated that a larger number of exemptions make the working of the Act complicated.

- (i) Please state the principles, which you think, should govern the exemption of class of sales or purchases from payment of the whole or part of the tax payable under the Act.
- (ii) Do you suggest any modifications in *Annexure III* ? If so, reasons may be given in support of modifications or changes in conditions suggested.

7. *Retail sales tax.*— It is said that retail sales tax amounts to a turnover tax and results in multiple levy. How far do you support this statement ?

(i) Please state the principles, which you think, should govern the levy of retail sales tax.

(ii) Would you suggest any modifications in the principles on which retail sales tax should be levied ? If so, reasons may be given in support of the modifications suggested.

8. *Purchase Tax.*— Under the Act, Purchase tax is levied—

(a) where a dealer purchases any taxable goods from a person or any Government who or which is not a registered dealer provided that the goods so purchased are not resold by the dealer within a period of 12 months (Section 13) ;

(b) on the purchase price of the goods purchased under a certificate and contrary to such certificate the goods are used for another purpose or are not resold or despatched in the manner and within the period certified (Section 14) ;

(c) on the purchase price of taxable goods held in stock and purchased either from an unregistered dealer or against a certificate (Section 15) ; and

(d) on the turnover of sugar cane purchased for use in the manufacture of sugar (Section 14-B, 14-C).

It is said that there should be no purchase tax but there should only be a sales tax levied on the sales of goods. On the other hand, it is said that there should be only purchase tax levied at the point of first purchase of taxable agricultural produce. It is also said that if purchase tax is to be levied to safeguard the interest of revenue and to control evasion of tax, it should only be levied when the goods are used in manufacture of goods for sale and that it should not be levied on mere resellers of goods.

(i) What are your suggestions for levying of purchase tax ?

(ii) If you agree that the purchase tax be levied, what are the principles which should govern the levy of purchase tax ?

(iii) If you suggest that the purchase tax be abolished, what are your suggestions for controlling evasion or escape of tax at the first stage ?

9. *Definitions.*— It has been stated that certain definitions given in the Act are causing difficulties in interpretation viz. (a) "Agriculture" [(Section 2(1))] (b) "Dealer" [Section 2(11)] (c) "Sale" [Section 2(28),] (d) "Resale" [Section 2(26),] (e) "Manufacture" [Section 2 (7),] (f) "Sale price" [Section 2(29)].

(i) Do you agree with this view ?

(ii) If so, what are your suggestions for amendments in the definitions of these or other terms consistent with legal and constitutional concepts ?

10. *Consignment.*— Transaction in the nature of 'consignment' causes difficulties in determining whether it amounts to sale.

(i) Do you think such difficulty exists ? If so, make your suggestions how this difficulty can be removed ?

(ii) Do you suggest any criteria to determine whether a transaction in the nature of consignment amounts to sale or not ?

11. *Casual sales.*— Transaction involving 'casual sale' causes difficulties in determining whether such sale is in the course of business ?

(i) Do you think such difficulty exists ? If so, make your suggestions how this difficulty can be removed ?

(ii) Do you suggest any criteria to determine whether a transaction involving casual sale amounts to sale in the course of business or not ?



12. *Controlled Commodities*.—It is held that sale of 'controlled commodities' are not liable to tax under certain circumstances.

(i) Do you think that sale of controlled commodities should be brought within the definition of the sale and be made subject to tax ?

(ii) If so, the manner in which this can be done may please be suggested.

13. *Works Contract*.— It is held that 'works contract' purely involving labour and no sale of materials is not liable to tax. Transactions involving articles prepared or manufactured according to specification is liable to tax. A composite contract of labour and materials causes difficulties in determining whether it is a transaction amounting to sale.

(i) Do you think that composite contract of work and materials involving sale or supply of materials should be made subject to tax ?

(ii) Do you suggest any criteria to determine whether a composite contract of labour and materials amounts to sale or not ?

14. *Manufacture and certain processes*.— Under the present provisions [Section 2(17)] of the Act 'manufacture' means producing, making, extracting, altering, ornamenting, finishing or otherwise processing, treating or adapting any goods but does not include such manufactures or manufacturing processes as may be prescribed (Rule 3). The Government has by notifications from time to time prescribed processes (Rule 3) as contained in *annextue IV* as not included in manufactures or manufacturing processes. Similarly the Government has by executive orders clarified that activities, whether processes or not, contained in *annexure V*, are not included in manufacture.

(i) Please state the principles, which you think, should govern the inclusion or not of manufactures or manufacturing processes within the term 'manufacture'.

(ii) Do you suggest any modification in the present method of notifying by executive orders of Government certain activities not being included in 'manufacture' ?

(iii) Do you suggest modification in *annexures IV* and *V* ? If so, kindly state with reasons.

15. *Liability of importer and Manufacturer*.— The provisions in the Act (Section 3 relating to liability to pay tax by an importer and by a manufacturer have been recently amended. The position prior to and subsequent to amendment is as shown below :—

Category of dealer	Category of limit	Position prior to amendment	Position after amendment
1	2	3	4
		Rs.	Rs.
(A) Importer	(i) Limit of value of taxable goods sold or purchased during the year.	2,500	2,500
	(ii) Limit of value of any goods whether taxable or not brought by him into the State or despatched to him from outside the State during the year.	2,500	2,500
	(iii) Turnover limit either of all sales or of all purchases during the year.	10,000	20,000
(B) Manufacturer	(i) Limit of value of taxable goods sold or purchased during the year.	2,500	4,000
	(ii) Limit of value of any goods whether taxable or not manufactured by him during the year.	2,500	4,000
	(iii) Turnover limit either of all sales or of all purchases during the year.	10,000	20,000

- (i) Do you suggest any change in the limits ?
- (ii) If so, reasons may be given in support of suggestions made by you.

16. *Purchases made on Recognition certificate.*—At present a dealer who is a manufacturer of taxable goods, holding a recognition certificate can make purchases of prohibited goods on payment of tax at the rate mentioned in the schedule and purchases of non-prohibited goods free of tax. According to the amendment recently made (to be brought into force from the date to be notified by the Government), a dealer holding recognition certification will be able to make purchases of prohibited and non-prohibited goods on payment of 2 per cent tax on all goods purchased by him.

- (i) Do you think that this change in the system is in the interest of the manufacturers ?
- (ii) If not, do you think that this change in the system is likely to affect adversely certain class of manufacturers ? If so, specific instances may be given
- (iii) Do you suggest any change in this system ?
- (iv) If so, reasons may be given in support of the suggestions made by you.

17. *Liability of resellers.*—Under the provisions of the Act (Section 3) a dealer who is neither an importer nor a manufacturer and the value of taxable goods sold or purchased by him during the year is not less Rs. 2,500 becomes liable to pay tax on reaching the limit of turnover either of all sales or purchases of Rs. 30,000.

- (i) Do you suggest any change in the limits ?
- (ii) If so, reasons may be given in support of suggestions made by you.

18. Under the provisions of the Act 'Commission Agent' is separately defined [Section 2(6)]. There is a provision (Section 26) for issuing a permit to a buying commission agent. The Commission Agent is liable to tax for sales on behalf of the Principal and also in respect of the goods purchased on behalf of the principal. It is stated that no distinction between the dealer and the Commission Agent should be maintained. It is also stated that the present system of giving permit to commission agent should be abolished.

- (i) Do you think that the present procedure of issuing permit to Commission agent and liability of commission agent on behalf of the principals should be continued ?
- (ii) If not, what are your suggestions for sales and purchases made by the Commission agent ?
- (iii) Do you think that the permit system should be abolished ? If so, give reasons for abolition of the system.

19. *Liability of dealer registered under Central Sales Tax Act.*—Under the provisions of the Act (Section 4) a dealer who is registered under the Central Sales Tax Act, 1956 but who is not liable to pay tax under the Bombay Sales Tax Act, is nevertheless liable to pay tax—

(a) on sales of goods in respect of the purchases of which he has furnished a declaration under the Central Sales Tax Act, and

(b) on sales of goods in the manufacture of which the goods so purchased have been used. Every dealer, who is so liable to pay tax under the present Sales Tax Act, is deemed to be a registered dealer for the purposes of section 32 to 38 and 46 to 48. It is said that such dealers should be deemed to be a registered dealer for all the purposes of the Act.

- (i) Do you agree that such a dealer should be deemed to be a registered dealer for all the purposes of the Act ?
- (ii) If so, please state your reasons in support.

20. *General suggestions on rationalization of structure.*—If you have any suggestions to make generally on the rationalization of structure of sales tax and on matters which are not specifically covered under any of the foregoing questions in this part, kindly give your suggestions with reasons.

### PART III

#### SIMPLIFICATION OF THE PROCEDURE

1. *Registration Certificate.*—Every dealer liable to pay tax under the Act is required to possess a valid certificate of registration. Procedure for obtaining certificate is prescribed in Section 22 and Rule 7.

(i) Are there any difficulties experienced by tax payers on account of provisions relating to registration ?

(ii) Do you think, there are delays in issuing registration certificates or in amendment or cancellation thereof ?

(iii) If so, what are your suggestions for—

(a) improvement in the provisions of law,

(b) removal of delay and,

(c) improvement in the procedure and simplification in the form of application of registration certificate (Form 1), application for cancellation (Form 3) and form of certificate for registration (Form 2).

(N. B. :—Wherever possible instances involving unreasonable delay or hardship may be pointed out ).

2. *Voluntary Registration.*—Every dealer liable to pay tax has to obtain a registration certificate as provided under the Act, (Section 22). It is stated that any dealer, who wants to obtain voluntary registration under the Act, should be permitted to obtain voluntary registration irrespective of the fact that he is not liable to pay the tax.

(i) Do you favour voluntary registration under the present system ?

(ii) Do you think that voluntary registration may lead to bogus registration ?

(iii) If voluntary registration is advocated, can you suggest safeguards, which should be provided at the time of voluntary registration ?

3. *Documents.*—Under the provisions of the Act, dealers can obtain documents viz. Licence (Section 23) Authorization (Section 24) Recognition (Section 25) and Permit (Section 26).

(i) Have you any suggestions to offer—

(a) for need of issuing such documents ?

(b) for dispensing with any documents or combining one or more documents ?

(ii) Do you experience delay in the issuing of documents or amendment or cancellation thereof ?

(iii) If so, what are your suggestions for

(a) removal of delays ?

(b) improvement in the procedure and simplification in the form of application for licence/authorization/recognition/permit (Form 4) or forms of Documents (Forms 5, 6, 7, & 8) ?

(N. B. : Wherever possible instances involving unreasonable delay or hardship may be pointed out ).

4. *Further requirements for obtaining documents.*—A registered dealer applying for licence, authorization, recognition or permit has to satisfy certain further requirements, viz. —

(a) that he has been a registered dealer for a continuous period of not less than 12 months immediately preceding the date of the application,

(b) that he deposits cash or Government securities or furnishes the Bank Guarantee or furnishes surety as provided in Rule 12.

(i) Do you think, these conditions operate hardships to the dealer ?

(ii) If so, what modifications in the above conditions you suggest ?

5. *Returns.*—Every registered dealer is required to furnish periodical returns as per provisions (Section 32) of the Act. The rules (Rule 22) provide for the returns to be filed monthly, quarterly or yearly.

It also provides for furnishing a consolidated return.

It is stated that the return to be filed by each dealer should be made annual, the tax being paid every quarter.

(i) Do you think, annual return should be provided for all dealers ?

(ii) Do you think that the dealers do not avail of the facilities for filing annual return provided under Rule 22 ?

(iii) If so, what are the difficulties ? And what modifications do you suggest to remove them ?

(iv) Do you suggest any other change in the provisions of Rule 22 ? If so, reasons may be furnished in support of the suggestions made.

6. *Books of accounts.*—It is stated that as far as possible the books of accounts to be kept by a dealer should be standardised.

(i) Do you think that specific provision should be made for prescribing in detail the nature and the form of accounts expected to be maintained by the dealers of various classes ?

(ii) Have you any suggestions to make for minimum books of account to be kept by certain class or classes of dealers ?

7. *Assessment (i).*—What improvement do you consider necessary in the existing provisions (Section 33) relating to the method and the procedure of assessments under the Act having special regard to the need for quicker disposal, reducing error checking evasion of tax and mitigating inconveniences to the dealers ?

(ii) Are there any unnecessary formalities prescribed in the law in regard to assessment, which can be dispensed with, without vitally affecting the assessment proceedings ? If so, what are your suggestions ?

8. *Best Judgment assessment.*—Under various provisions of the Act [ Viz. Section 33(4) (5) (6) etc.] assessing authorities resort to 'Best Judgment assessment'.

(i) Have you any suggestions to make regarding this ?

9. *Time limit (i).*—Do you think any time limit should be fixed for completion of assessment ?

(ii) If so, keeping in view the practical, legal and administrative difficulties what are your suggestions and how to make them legally operative ?

(iii) What do you think of the consequences that would follow if the assessment is not completed within the time limit suggested and what remedies have you to suggest ?

10. *Delay.*—Do you think that undue delay occurs in the course of assessments ? If so what, in your opinion, are the reasons for delay and what remedies do you suggest to eliminate delays ?

11. *Simplification*.—Have you any suggestions to offer with a view to—

(a) adopting a simplified form of return (Form 18) for assesseees below specific turnover,

(b) simplifying and rationalising forms of returns and notices, ( Forms 26, 27, 28 and 29 ).

(c) enabling the assesseees to furnish by way of annexures to the returns relevant information which may facilitate the acceptance of returns by the assessing officers and obviate the need of calling for evidences later for assessment purposes, and

(d) simplification of certificates and declarations ( Forms 14, 15, 16, 17, 17-A etc.) to be furnished by dealer ? ( wherever possible specimen forms of returns notices, annexures, certificates and declarations may be given ).

12. *Simple assessment*.—Recently Sales Tax department has been operating a scheme of simple process of assessment for dealers paying annual tax not exceeding Rs. 300 ( details of the scheme are as shown in *annexure VI* ) :

(i) Do you consider the scheme as feasible and satisfactory ?

(ii) Do you think that dealers paying a certain minimum tax or the dealers below a specific turnover should be covered under the scheme ?

(iii) Have you any suggestions to make for improvement in the present scheme and for rendering the scope of the simple process of assessment applicable to a large number of dealers ?

13. *Lump sum payment in lieu of tax*.—Under the Act, provision is made (Section 40) to permit any dealer to pay in lieu of the amount of tax payable by him, a lump sum determined in the prescribed manner by way of composition. This provision is not operative as the conditions and the manner of composition are not prescribed. A view has been expressed that since this provision is inoperative, it should be deleted.

On the other hand it is stated that in the interest of small dealers a scheme should be adopted to permit such small dealers to pay a lump sum in lieu of tax payable by him. It is also suggested that a scheme of lump sum payment may be introduced for resellers to cover their liability to pay retail sales tax and tax on imported goods.

(i) What are your suggestions for deleting the present provisions or for prescribing the conditions and the manner of composition ?

(ii) Have you any suggestions to make for the scheme of lump sum payment applicable to any particular class or classes of dealers and of any turnover limit ?

(iii) If so, suggestions may please be made giving reasons in support.

14. *Appeals*.—What suggestions you have to make in respect of the machinery of or disposal of appeals having regard to—

(i) avoiding delays,

(ii) reducing the grievances, and

(iii) modifying the existing appellate stages ?

15. *Pre-payment of amount in dispute*.—Section 55 of the Act provides that no appeal, against an order of assessment with or without penalty, or against an order imposing a penalty or against an order directing the forfeiture of any tax collected by a dealer, shall ordinarily be entertained by an appellate authority, unless such appeal is accompanied by satisfactory proof of such payment in respect of which the appeal has been preferred.

The section further provides that the appellate authority may if it thinks fit for reasons to be recorded in writing, entertain an appeal against such order—

(a) without payment of tax with penalty (if any) or as the case may be penalty or of the sum forfeited, on the appellant furnishing in the prescribed manner security for such amount as it may direct, or

(b) on proof of payment of such smaller sum, with or without security for such amount of tax, penalty or sum forfeited which remains unpaid, as it may direct.

It has been represented that considerable hardship is caused to appellant on account of the provisions of the Act which require pre-payment.

(i) Do you think that the provisions in section 55 are adequate ?

(ii) If not, what are your suggestions for making improvement in the provisions of section 55 with due regard to the interest of revenue ?

16. *Limitation.*—An appeal is required to be filed within 60 days from the date of communication of the order appealed against.

(i) Do you think that this limit is reasonable ?

(ii) If not, give your suggestions with reasons for change in the time limit proposed.

17. *Right of appeal.*—Provisions has been made for appeals in section 55 of the Act. Section 56 restricts right of appeal or revision against certain orders.

(i) Do you suggest any change in the non-appealable orders stated in section 56 ?

(ii) Do you consider that no right of appeal or revision should be provided in cases where a dealer has not filed his returns or has failed to comply with statutory notices ?

18. *Independent control of appellate authorities.*—The Assistant Commissioners for appeals are under the administrative control of the sales tax department. According to one view, the present arrangement should be continued. There is another view that Assistant Commissioners for appeals should be independent of the administrative control of the sales tax department.

(i) What suggestions you have to make in this behalf ?

(ii) If you are in favour of independent control what, in your opinion should be the arrangement for administrative control ?

19. *Review.*—Proviso to Rule 61(2) provides for review of exparte order made in appeal or revision. There is no provision for review of the order passed by assessing authority or appellate or revisional authority in the Act.

(i) Do you think that a provision should be made in the Act for review of order passed in appeal or revision ?

(ii) Do you think that a provision for review should also be made for orders passed by assessing authorities ?

(iii) If so, do you suggest the circumstances under which the orders should be reviewed by the same authority ?

20. *Tribunal.*—Section 21 of the Act, and Rule 6 provide for constitution of a Tribunal, the qualifications for the President and the members of the Tribunal, the duration of their appointment and their duties and jurisdiction.

(i) Have you any suggestions to offer with regard to—

(a) constitution of the Tribunal ;

(b) qualifications of the President and the members ;

(c) number of members ;

(d) duration of their appointment ;

(e) their duties and jurisdiction ; and

(f) functioning of the Tribunal ?

21. *Appearance through practitioners or agents.*—As per the provisions of the Act (Section 71) any person, who is entitled or required to attend in connection with any proceeding before any sales tax authority, may attend—

- (a) by a relative or a person regularly employed ; or
- (b) by a legal practitioner, or
- (c) by a sales tax practitioner. The qualifications and other matters relating to appearance by sales tax practitioners are prescribed in Rules 66, 66A and 67.

(i) Have you any suggestions to make with regard to—

- (a) qualifications.
- (b) enrolment and
- (c) functioning of the sales tax practitioners ?

22. *General suggestions on simplification of the procedure.*—If you have any suggestions to make generally on simplification of the procedure and on matters which are not specifically covered under any of the above foregoing questions in this part, kindly give your suggestions with reasons.

## PART IV

### HARDSHIPS TO DEALERS

1. *Hardship.*—It is stated that the implementation of the provisions of the Act and procedure followed thereunder causes inconvenience and avoidable hardship to the dealers.

(i) How far do you think inconvenience or hardship is caused by operation of certain provisions or procedure ? Kindly give instances of such provisions or procedure, which operate to the inconvenience or hardship to dealers.

(ii) What are your suggestions for removal of such inconvenience or hardship ?

2. *Penalty.*—There are provisions in the Act (Sections 36, 37) dealing with penalties in certain cases.

(i) Do you think that provisions regarding imposition of penalty are inadequate or harsh to the dealer ?

(ii) If so, suggestions for modifications may be made with reasons.

3. *Prosecution.*—There are provisions in the Act (Sections 63, 65, 66 and 67) for prosecution of offences and penalty.

(i) Do you think that provisions in prosecution are inadequate or harsh to the dealer ?

(ii) If so, suggestions for modifications may be made with reasons.

(iii) Do you think that line of demarcation between types of breaches or contravention for which there should be penalty and no prosecution or vice a verse is necessary ?

(iv) If so, state such breaches or contravention for which there should be penalty or prosecution with reasons.

4. *Improvement in relations.*—Have you any suggestions to make for improvement in the relations between the dealers and the department so as to ensure maximum co-operation between them ?

5. *Public Relation Officer.*—(i) Do you think that the appointment of Public Relation Officer in the office of the Commissioner has been found useful in redressing the grievances of the dealers or in looking into facilities and amenities to them ?

(ii) Have you any suggestions to make for improvement of enlargement of the functions of the Public Relation Officer ?

(iii) Do you think that it is necessary to increase the number of Public Relation Officers ? If so, at what levels ?

6. *Publicity.*—The department is issuing circular letters to Trade Associations for information of dealers at large and for clarification of important points arising in the administration of the Act. The department is also circulating gist of decisions under section 52. The department is also issuing clarifications on individual queries of dealers. It also issues Press Notes as and when necessary for elucidation of amendments or decisions regarding provisions of law.

(i) Do you think that the various steps taken by the department in making the Public aware of their rights and obligations under the provisions of the Act are adequate ?

(ii) Have you any suggestions to make for improving publicity by department and for improvement in the steps taken by the department for making the dealers aware of their rights and obligations ?

7. *Delay in assessment.*—(i) Do you think that there is considerable delay in finalising assessment cases ? (Instances of inordinate delay in assessments may please be cited.)

(ii) What in your opinion are causes of delay and what suggestion you have to make for avoidance of such delays ?

8. *Refund.*—(i) Do you think there are delays in granting refunds arising out of assessments/appeals ? (Instances of inordinate delay may please be cited.)

(ii) Do you think that refund should be granted within a specified time limit ?

(iii) Do you favour provisions to be kept for payment of interest in cases where refunds are delayed except or reasons beyond control.

9. *Set off.*—Provisions have been made for grant of draw back set off and refund in Rules 40, 40A, 41, 41A, 42, 43, 43A and 47 subject to conditions provided in rule 45. It is stated that the provisions as well as the procedure for claiming set off etc. is complicated.

(i) Do you agree with this view ?

(ii) If so, have you any suggestions to make for improvement in the provisions or procedure for claiming set off etc. ?

10. *Equitable Relief.*—It is stated that provisions in Taxation Law should provide for equitable relief in cases of double taxation and genuine hardship.

(i) Do you think that the present provisions are inadequate or do not provide for granting equitable relief to dealers ? Cite specific instances of cases of double taxation or genuine hardship where equitable relief is needed.

(ii) Do you suggest any modifications in the provisions of law for enabling equitable relief to be granted in such cases ?

11. *Back Liability.*—At present there is no provision in the Act for limiting the back liability to certain number of years. A view has been expressed that fixing back liability for a period beyond past few years in certain cases causes hardship to the



dealers. On the other hand it is stated that limiting fixing of liability for a specific period would encourage avoidance of registration and evasion of tax.

(i) Do you think that fixing of back liability causes real hardship to dealers ?

(ii) If so, do you favour fixing of any time limit beyond which back liability should not be fixed ?

12. *Facilities and amenities.*—Do you think that the facilities and amenities available in the Sales Tax Offices for the dealers are adequate ? If not, what suggestions you have to make for improvement of such facilities and amenities ?

13. *Advisory Committee.*—With a view to assist the Government in the smooth and efficient administration of sales tax law in the State, a Sales Tax Advisory Committee has been constituted at the State level. The committee is functioning in an advisory capacity and makes suggestions generally in regard to removal of procedural defects and inconveniences caused to the trade and the public in other ways. The committee also assists the Government in devising suitable measures to prevent and to minimise the evasion of tax.

(i) Have you any observations to make generally on the working of the Sales Tax Advisory Committee ?

(ii) Do you think that there should be more Advisory Committees at Divisional/Range levels ?

14. *General suggestions on hardship to dealers.*—If you have any suggestions to make generally on hardship to dealers and on matters which are not specifically covered under any of the foregoing questions in this part, kindly give your suggestions with reasons.

## PART V

### CONTROL OF AVOIDANCE OR EVASION OF TAX

1. *Avoidance of Tax.*—It is stated that there is an avoidance of tax due to some lacuna or defects in the provisions of existing law.

(i) How far do you subscribe to this view ?

(ii) What are the provisions, which in your view, result in avoidance of payment of tax ?

(iii) Have you any suggestions to make for improvement in the provision of the Act or in the procedure to prevent avoidance of tax ?

2. *Tax evasion.*—(i) What is your estimate of the extent of evasion of sales tax in the State ?

(ii) What in your opinion are the factors which facilitate and which offer an incentive for such evasion ?

3. *Methods to check evasion.*—The department is taking steps to arrest the leakage of revenue on account of trade flowing into unaccountable channels. Vigilance measures are undertaken by the department which consist of (a) collection of vigilance data from internal and external sources (b) survey (c) investigation in respect of special commodities and (d) investigation of complaints against dealers.

(i) How far do you think present methods are effective in dealing with the problem of evasion ?

(ii) Have you any suggestions to make for improvement in the present measures or procedure ?

(iii) What new methods, if any, would you suggest for dealing with evasion ?

4. *Enforcement Machinery.*— At present vigilance statistics are collected by vigilance Inspectors. Survey and special surveys are conducted by the Sales Tax Officers and Inspectors entrusted with this work in addition to enforcement or assessment work. The enforcement work is entrusted to special enforcement unit in cities with population of one lac and above. In the mofussil enforcement work is looked after by Sales Tax Officers in charge of administration or assessment work.

(i) Do you think that the existing machinery is adequate and effective in dealing with the problem of evasion ?

(ii) Have you any suggestions to make for improvement in the organisation or working of the machinery ?

5. *Method to check evasion during rail transport.*— It is stated that the goods sent and received by rail escape tax by various methods and that the present method of collecting information from the Railway authorities is not satisfactory and adequate.

(i) Do you think that the present method is adequate and effective ?

(ii) If not, have you any suggestions to make for improvement in the present method or for more effective measures ?

6. *Check posts.*—It is suggested that in order to prevent evasion of tax on goods imported in the state by public transport, check posts should be set up on important roads and entrances on the borders.

(i) Do you think that setting up of check-posts will be effective in preventing evasion ?

(ii) Do you think that legislative provision should be made for compulsory way bills for goods carried by public transport ?

(iii) Do you think that provision should be made for seizure of goods not covered by way bills, for confiscation in cases of attempted evasion and for heavy penalty in cases where the goods are transported without a way bill or under a defective way bill ?

7. *Search and seizure.*— It is stated that the provisions (Section 49) of the Act, in relation to search of dealers premises, seizure of books and production and inspection of accounts and documents give scope of harassment to dealers.

(i) How far do you subscribe to this view ? Please cite specific instances if any.

(ii) What improvement would you suggest in the existing provisions of the Act to prevent misuse ?

8. *Delay in disposal of seizure cases.*— It is stated that investigation of complaints resulting in seizure of books takes a very long time and seized books of accounts are not returned to dealers for considerably long time.

(i) How far do you subscribe to this view ? Please cite specific cases of inordinate delay.

(ii) What suggestions you have to make for improvement in the procedure for dealing with seizure cases and to minimise delays and hardships ?

9. *Harassment to dealers.*— It is stated that corrupt officials take advantage of inadequacy or complexity or discretionary provisions of the law and procedure, to exact illegal gratification to harass dealers.

(i) How far do you subscribe to this view ?

(ii) What in your opinion, are the inadequacies or complexities or discretion in the provisions of the law or procedure which give scope for harassment ?

(iii) Have you any suggestions to make for removal of inadequacies or complexities or limiting discretion ?

10. *General suggestions on control of avoidance of evasion of tax.*—If you have any suggestions to make generally on control of avoidance or evasion of tax and on matters which are not specifically covered under any of the foregoing questions in this part, kindly give your suggestions with reasons.

## PART VI

### ADMINISTRATION

1. *Organisation.*—Does the present organisation of the sales tax department require any change in order that it can discharge its functions more efficiently ? ( Organisational chart is given in *Annexure VII* ).

2. *Strength.*—Do you consider that the present strength of the department at different levels is adequate for the efficient administration of the Sales Tax Act and other Acts administered by it ?

3. *Functions of Assistant Commissioners.*—Do you suggest any changes in the functions and duties of the Assistant Commissioners in charge of the ranges ?

4. *Functional Assistant Commissioners.*—Do you think, there should be separate functional Assistant Commissioners for appeals, audit, enforcement and vigilance work and Assistant Commissioners in charge of territorial ranges for supervision, inspection and general control ?

5. *Reorganisation of set-up.*—Do you think that the present divisions and ranges require to be reconstituted on the basis of number of offices, number of officers who are functioning and other administrative factors ? If so, give your suggestions with reasons.

6. *Redistribution of charges.*—There are at present certain special units of Sales Tax Officers viz. Registration and Return, Recovery and Enforcement Units in Ahmedabad city and Enforcement units in other places. There is division of administrative and assessment work on functional basis in offices of Sales Tax Officers, where there are more than one officer.

(i) What are your views about charges of the Sales Tax Officers to be constituted on functional basis ? What changes do you suggest in the present charges of the Sales Tax Officers in light of the functional or territorial basis suggested by you ?

7. *Verification by Sales Tax Inspectors.*—Do you think that the present method of verification of accounts by the Sales Tax Inspectors is satisfactory ? If not, what changes would you suggest in the method of verification by Sales Tax Inspectors for better and quicker disposal of assessments ?

8. *Dispensing verification by Sales Tax Inspectors.*—Do you think that verification by sales Tax Inspectors is necessary in all cases ? If not, can you suggest in what types of cases, verification by inspectors could be dispensed with ?

9. *Inspection.*—Do you think that the present method of inspection of offices is adequate and efficient ? Have you any suggestions to make for improvement and better efficiency in conducting inspections ?

10. *Audit by Accountant General.*—Do you think that the audit done by the Accountant General is necessary as a moral check on the assessments done by the assessing officers? Have you any suggestions to make in regard to scope and method of audit by the Accountant General?

11. *Overlapping of audit by departmental authorities.*—Do you think that the departmental audit is necessary? Have you any suggestions to make to avoid overlapping of audit done by the Accountant General, by the Commissioner, Deputy Commissioners or by the Assistant Commissioners of Sales Tax?

12. *Improvement in audit.*—Have you any suggestions to make for improvement or better efficiency in the conduct of audit?

13. *Strength of enforcement.*—Do you think that the present strength for enforcement and vigilance units is adequate to check tax evasion effectively and deal with complaints of seizure cases?

14. *Machinery to deal with seizure cases.*—Do you think that the present machinery to deal with seized books is inadequate and the present method takes a long time in completion of cases? If so, do you suggest any change in the procedure of dealing with such cases so that cases, where books are seized, can be decided expeditiously and books can be returned to the dealer within a reasonable period?

15. *Checking evasion.*—With a view to having more effective check on the tax evasion what suggestions you would like to make for improving and strengthening the present machinery in respect of (a) Organisation (b) strength and qualification of personnel and (c) methods or plans of work?

16. *Change in enforcement set-up.*—Do you favour the continuance of present units of enforcement in cities of Ahmedabad, Surat, Baroda, Rajkot, Jamnagar and Bhavnagar? Do you think that enforcement and vigilance work should be conducted by the same units? What changes in your view should be made in the present set-up in order to improve the present working?

17. *Surveys.*—How far the present surveys are useful in detecting unregistered dealers and possible evasion of tax? Do you think that the present survey is adequate? What suggestions have you to make for improvement and efficiency of the survey programme?

18. *Recoveries.*—Do you think that the present arrangements for collection of tax or recovery of arrears of tax are adequate? What suggestions you have to make for improvement and efficiency in collection of tax or recovery of arrears of tax?

19. *Collection of Statistics.*—Do you think that the present arrangements for collection and compilation of data are satisfactory? What suggestions have you to make in respect of (a) maintenance of registers (b) submission of information with diaries (c) compilation of statistical data and (d) submission of periodical reports and returns?

20. *Special Statistical data.*—(i) Do you accept the need for collection of data in respect of tax collected from dealers with varying volume of turnover? If so, what arrangement you propose for collection of such data?

(ii) Do you think that collection of data in respect of tax collected on important commodities is necessary? If so, what arrangements you propose for collection of such data?

21. *Statistical research.*—Do you think that the statistical and research unit should be set-up to study problems of diversion of trade or tax evasion in certain goods?

22. *Evasion.*—What are your views about the tax evasion and modus-operandi of tax evasion and the methods which should be adopted to prevent evasion of tax?

23. *Corruption.*—What are your views about corruption in the department? Do you think that the present machinery and measures are adequate to deal with corruption? If not, what are your suggestions for improvement of machinery and measures to effectively deal with corruption?

24. *Quality and efficiency.*—What steps do you suggest for improvement in the quality and efficiency of the personnel in the department?

25. *General suggestions on administration.*—If you have any suggestions to make generally on administration and on matters which are not specifically covered under any of the foregoing questions in this part, kindly give your suggestions with reasons.



## ANNEXURE I TO THE QUESTIONNAIRE

( See Paragraph 2 of the letter )

*Removal of difficulties experienced in the working of the Bombay Sales Tax Act, 1959. Constitution of Committee for the—*

## GOVERNMENT OF GUJARAT

## FINANCE DEPARTMENT

Resolution No. VV-A-1067 / 1558 / 2348-TH,

Sachivalaya, Ahmedabad-15, dated the 19th June 1967

## RESOLUTION

The Bombay Sales Tax Act, 1959, largely based on the recommendations of the Sales Tax Enquiry Committee ( 1957-58 ) has been in force in Gujarat with amendments made from time to time. The present scheme of sales tax is a composite system combining first point tax to be paid by manufacturers, processors and importers with General Sales Tax to be paid at the last wholesale or semi-wholesale stage and a retailers' turnover tax at the retail stage.

2. To ensure the smooth working of the Act, Government has been taking various steps including the constitution of an Advisory Committee at the State level. However, suggestions from the Advisory Committee as well as from various other quarters have been made from time to time concerning various aspects of the administration of the Sales Tax Law and particularly, about the simplification of the procedure. It has been the practice of the Government to accept such of those suggestions which were cogent and deserving. However, a need for rationalisation of the structure and further simplification of the procedure of assessment with a view to remove the hardships of the dealers cannot be denied.

3. Government has, therefore, decided to constitute a Committee consisting of the following persons :—

- |   |    |                  |
|---|----|------------------|
| (1) Shri Maldevji M. Odedra .. ..                   | .. | Chairman         |
| (2) Shri Gangaram C. Raval, M. L. A., Mehsana ..    | .. | Member           |
| (3) Shri Liladhar P. Patel, M. L. A., Jamnagar ..   | .. | Member           |
| (4) Shri Vithalbhai P. Amin, Ahmedabad ..           | .. | Member           |
| (5) Shri Surajram H. Bachkaniwala, Surat ..         | .. | Member           |
| (6) Shri Chandulal B. Satia, Ahmedabad ..           | .. | Member           |
| (7) Shri Kundanlal J. Dholakia, Bhuj ..             | .. | Member           |
| (8) Shri Ratilal N. Chitalia, Rajkot ..             | .. | Member           |
| (9) Shri Narhar B. Vaze, Baroda ..                  | .. | Member           |
| (10) Shri S. M. Ghosh, Industries Commissioner ..   | .. | Member           |
| (11) Shri V. R. Mehta, Commissioner of Sales Tax .. | .. | Member-Secretary |

4. The terms of reference of the Committee are as follows :—

- (1) To examine the present system of Sales Tax and to review its working.
- (2) to make recommendations on—
  - (a) Rationalisation of the structure of Sales Tax ;
  - (b) Simplification of the procedure ;
  - (c) Measures to be taken for removing hardships to dealers ; and
  - (d) Improvement in the quality of the administrative system and personnel.

While making recommendations, the Committee will give due regard to (a) the revenue requirements of the State and (b) control of avoidance and evasion of tax.

5. The Committee shall submit its report within a period of six months.

6. The Committee shall have the Status of a State Level Committee as laid down in Appendix XLII-A of Volume II of the Bombay Civil Services Rules Manual. The Secretary of the Committee shall be the controlling as well as the countersigning authority in respect of bills of travelling allowance of non-official members of the Committee.

7. The expenditure incurred for the Committee, including that on travelling allowance or conveyance allowance of the non-official members of the Committee shall be debited to the Head of Account "12-Sales Tax Collection Charges (a) Sales Tax-other Commodities-Under Grant No. 6".

By order and in the name of Governor of Gujarat,

F. N. RANA,  
Additional Chief Secretary to the Government of Gujarat,  
Finance Department



## ANNEXURE II TO THE QUESTIONNAIRE

( See Question No. 1 of Part I )

*Present system of Sales Tax*

The present system of Sales Tax under the Bombay Sales Tax Act, 1959, is largely based on the recommendations of the Sales Tax Enquiry Committee ( 1957-58 ) which suggested a composite system.

This system consists of levy of Sales Tax, General Sales Tax and Retail Sales Tax. The scheme of the Act provides for exemption from tax on several goods which are listed in Schedule 'A' ( Section 5 ). It provides for single point levy at the first stage on sales of goods falling in Part I of Schedule B and the Schedule 'C' (sections 7 (i) and 8). This is based on consideration that these goods pass to the ultimate consumer through comparatively fewer stages, that the channels for production and distribution are known and are better organised and that the goods are such as are not readily or cheaply transportable. It provides for a last stage levy *viz.*, General Sales Tax on goods falling in part II of Schedule B and in Schedule D (sections 7 (ii) and 9). General Sales Tax is levied at Semi-wholesale stage or intermediate stage between the manufacturers or importers and the semi-wholesale stage. All other goods *viz.* those specified in schedule E are subjected to levy of Sales Tax and General Sales Tax ( section 10 ). Levy of Retail Sales Tax is provided on sales of goods specified in Schedules C, D and E (section 10B ) except when sales are made by a Licenced dealer ( wholeseller ) to a Registered dealer ( Retailer ). The scheme of the levy of sales tax or the General Sales Tax is further supplemented by a scheme of purchase Tax ( section 13 ) so as to avoid the possibility of escape of tax under certain circumstances.

To exempt the sales from General Sales Tax at the intermediate stages, a system of licencing ( Section 12 ( form 16 ) ) and system of refund of General Sales Tax is devised. It is also devised by a system of Recognition ( section 25 and Form 15 ) that goods required by manufacturers of taxable goods as raw materials and processing and packing materials other than prohibited items should be purchased free of tax. It also provides for deductions from the turnover of sales, sales of goods in the course of export ( section 12 ) regulated by a system of Authorisation and certificates in form Nos. 14 and 17A. It also provides for purchases of goods on behalf of principal by a Commission Agent holding permit ( section 12, form 17 ).

The system is operated under a broad structure of the Act which, like similar legislations, provides for registration of dealers, liability of importers, manufacturers and resellers, obligation to file returns, issue of Licences, Authorizations, Recognitions and permit, assessment of taxes and other incidental matters.

Description of goods subject to levy of tax, the nature of levy *viz.*, Sales Tax, General Sales Tax or Purchase Tax and the rate at which tax is levied are contained in Schedules A, B, C, D and E.

To carry out the purposes of the Act, rules have been framed under the Act *viz.*, Bombay Sales Tax Rules, 1959 which contains procedure and forms of declarations, certificates, returns, notices, etc.

( For detailed reference, kindly see the Bombay Sales Tax Act, 1959 and the Bombay Sales Tax Rules, 1959 copies of which are available on payment from the Gujarat Government Book Depot, Bhadra, Ahmedabad ).



## ANNEXURE II TO THE QUESTIONNAIRE

( See Question 6 in part II )

Sr. No.	Class of sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemption
1	2	3	4	5
1	Sales to the Canteen Stores Department ( India ) of goods certified by it as being intended for being sold directly or through Canteens to members of the Armed Forces of India at prices fixed by the Government of India.	Whole of Tax	Nil.	Notification No. STA. 1059 (iii) GI. dated 28th December 1959.
2	Sales by the Canteen Stores Department ( India ) to dealers certified by that Department to be Canteen Contractors or to the Unit Canteens run by officers of the Armed Forces of India of goods which are intended for being sold to members of the Armed Forces of India at prices fixed by the Government of India.	Do.	Do.	Do.
3	Sales by dealers certified by the Canteen Stores Department ( India ) to be Canteen Contractors of goods obtained by such dealers from the said Canteen Stores Department ( India ) to members of the Armed Forces of India at prices fixed by the Government of India.	Do.	Do.	Do.
4	Sales by unit Canteen run by officers of the Armed Forces of India, of goods obtained by such unit canteens from the Canteen Stores Department ( India ) to members of the Armed Forces of India at prices fixed by the Government of India.	Do.	Do.	Do.
5	Sales by the Canteen Stores Department ( India ) to members of the Armed Forces of India, at prices fixed by the Government of India.	Do.	Do.	Do.
5A	Sales to branches or depots of the Military Farms Department ( India ) situated in the State of Gujarat, of Milk Products falling in Entry 6 in Schedule D to the Act, certified by the officers in charge of the said branches or depots as being intended for being supplied directly or through the parent farms conducted by the said department anywhere in India to the members of the Armed Forces of India at prices fixed by the Government of India.	Do.	Nil.	Notification No. STA. 1062 / 10446 - TH, dated the 29th December 1962


Sr. No.	Class of Sales or purchases	Exemptions whether of whole or part of tax	Conditions	Authority for exemption
		3	4	5
6	Sales to the offices and agencies of the United Nations Organization specified here under :—	Whole of tax	If the purchasing office or agency furnishes a declaration in Form A appended hereto to the selling dealer declaring <i>inter alia</i> that the goods are purchased for the official use of such office or agency.	Notification No. STA. 1059 (iii) G.I., dated 28th December 1959.
	(1) The United Nations World Health Organization.			
	(2) The United Nations International Children's Emergency Fund (now known as United Nations Children's Fund).			
	(3) The United Nations Information Centre.			
	(4) The United Nations Technical Assistant Board.			
	(5) The United Nations Military observers Group in India and Pakistan.			
	(6) The International Labour Office.			
	(7) The United Nations Food and Agriculture Organization.			
	(8) The United Nations Educational Scientific and Cultural Organization.			
7	Sales of goods to the duly accredited representatives of CARE India (Co-operative for American Relief every where, Incorporated).	Do.	If the accredited representative furnishes a declaration in Form B appended here to the selling dealer declaring <i>inter alia</i> that the goods are purchased by CARE India for distribution in India free of cost.	Do.
8	Sales of contraceptives by the Family Planning Association of India, Bombay (hereinafter referred to as the Association) to a Clinic run under the administrative control and management of a State Government or a local authority or supervised by the Association itself or managed and conducted by a voluntary organisation recognised by the Association.	Do.	(i) If the Association has purchased the contraceptives from a Registered dealer, and (ii) The person incharge of the management of such a clinic furnishes to the Association a declaration in Form C appended hereto declaring <i>inter alia</i> that the contraceptives so purchased are intended for supply free of charge under a Government grant or for sale, without profit, to the patients at the clinic.	Notification No. STA-1059. (iii) G.I., dated 28th December 1959.
9	Sales of			
	(a) non-alcoholic drinks or cooked food, not being drinks or cooked food falling under entry 14 in Schedule A, or under entry 4 or 6 in Schedule E to the Act.	Do.	(1) If the goods mentioned in column 2 were manufactured by the Registered dealer. (2) If the turnover of all sales of the Registered dealer during the previous year or current year does not exceed Rs. 30,000.	Do.
	(b) Sweets and sweetmeats (including <i>Shrikhand</i> , <i>basundi</i> and <i>dudhpak</i> ) falling under entry 31 in Schedule C to the Act, not being foodstuffs falling under entry 6 in Schedule E to the Act, and		(3) If during any year the turnover of the Registered dealer of all sales exceeds Rs. 30,000 then on and from the date on which the turnover of sale so exceeds the exemption granted under this notification shall cease to have effect and the certificate issued to him by the Commissioner shall stand revoked.	
	(c) Cakes, biscuits and pastries,			

Sr. No.	Class of Sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemption
1	2	3	4	5
	by a registered dealer who is certified for the purposes by the Commissioner, and who carries on the business of conducting an eating house, restaurant hotel, refreshment room, or boarding establishment or a shop or establishment conducted primarily for the sale of sweetmeats, cakes, biscuits or pastries.		(4) If the Registered dealer contravenes any of the provisions of the Act or the Rules made thereunder the certificate issued to him by the Commissioner shall be liable to be cancelled and on such cancellation the exemption granted under this notification shall cease to have effect.	
10	Sales of any articles printed on paper, card-boards, paste-board or straw-board not being goods falling under entry 4 in Schedule A to the Act by a Registered dealer who carries on the business of conducting a printing press and who is certified for the purpose by the Commissioner.	Whole of Tax.	<p>(1) If the printed articles referred to in column 2 are printed by him in the printed press conducted by him.</p> <p>(2) If the turnover of all sales of the registered dealer during the previous year or current year does not exceed Rs. 30,000.</p> <p>(3) If during any year the turnover of the Registered dealer of all sales exceeds Rs. 30,000 then on and from the date on which the turnover of sales so exceeds the exemption granted under this notification shall cease to have effect and the certificate issued to him by the Commissioner shall stand revoked.</p> <p>(4) If the Registered dealer contravenes any of the provisions of the Act or the rules made thereunder the certificate issued to him by the Commissioner shall be liable to be cancelled and on such cancellation the exemption granted under the notification shall cease to have effect.</p> <p>(5) The Registered dealer shall not be entitled to claim exemption under rule 28 of the Bombay Sales Tax Rules, 1959 from furnishing returns so long as the exemption under this Notification continues.</p>	Notification No. STA-1059 (iii) GI, dated 28th December 1959.
11	Sales of raw silk, raw wool or wool tops or woollen yarn to a registered dealer who is certified for the purpose by the Commissioner.	Do.	(1) If the registered dealer furnishes to the selling dealer a declaration in Form D appended hereto declaring <i>inter alia</i> that the goods sold to him will be used by him in producing for sale by him silk yarn, or chemically cleaned wool or woollen yarn or bleached, dyed, twisted or otherwise processed woollen yarn the case may be.	Notification No. STA-1060 / 4238-K, dated 25th October 1960.



Sr. No.	Class of Sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemption
1	2	3	4	5
			(2) If the registered dealer contravenes any of the provisions of the Act or the rules made thereunder or fails to use the goods in accordance with the declaration furnished by him, the certificate issued to him by the Commissioner shall be liable to be cancelled.	
12	Sales of petroleum products manufactured by the Burmah Shell Refineries Limited or the Esso Standard Refining Company of India Limited or the Indian Oil Corporation Limited or the Cochin Refineries Limited by any one of the companies specified hereunder to any other of those companies : (i) The Burmah Shell Refineries Limited. (ii) The Esso Standard Refining Company of India, Limited. (iii) The Burmah Shell Oil Storage and Distributing Company of India, Limited. (iv) The Esso Standard Eastern, INC. (v) The Caltex ( India ) Limited. (vi) The Indo-Burmah Petroleum Company, Limited. (vii) The Indian Oil Corporation Limited. (viii) The Cochin Refineries Limited.	Whole of Tax	Nil.	Notification No. (GHN. 341.) VVA . 1066/ (12) TH, dated 1st December 1966.
13	Sales of vaccines, toxoids or sera by the Haffkine Institute, Bombay to a municipality, district local board, or cantonment board or to a charitable hospital, dispensary or clinic.	Do.	If the persons authorised in this behalf by the municipality, district local board or cantonment board, or as the case may be the persons in charge of the management of the hospital, dispensary or clinic furnishes to the Haffkine Institute a declaration in Form E appended here to that the vaccines, toxoids or sera, as the case may be so purchased shall not be resold but shall be administered free of cost to the members of the public irrespective of caste or creed.	Notification No. STA. 1059 (iii) G.I dated 28th December 1959.
14	Sales of yachts or other light sailing vessels of gross tonnage not exceeding 20 tons each, whether or not fitted with auxiliary engines, by a manufacturer or assembler thereof ( hereinafter referred to as "the manufacturer" ) who is a Registered dealer and has been certified by the Commissioner for the purpose.	Do.	If the persons to whom the sales referred to in column 2 are made furnishes to the manufacturer a declaration in form F appended hereto and it is shown to the satisfaction of the Commissioner by the manufacturer that yacht or other sailing vessel has within seven days of the sale thereof sailed for a destination outside the territory of India, without touching any Indian port en-route.	Do.



Sr. No.	Class of Sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemption
1	2	3	4	5
15	Sales of cotton yarn ( but not including cotton yarn waste ) to a dealer certified by the Commissioner for the purpose.	Whole of Tax	<p>(1) If the dealer so certified furnishes to the selling dealer a declaration in Form G appended hereto declaring <i>inter alia</i> that the cotton yarn sold to him will be used by him in the manufacture of cloth exclusively woven on handlooms for sale by him which sale shall not take place outside the State of Bombay.</p> <p>(2) If the dealer contravenes any provisions of the Act or the rules made thereunder or fails to use the goods in accordance with the declaration furnished by him the certificate issued to him by the Commissioner shall be liable to be cancelled.</p>	Notification No. STA- 1059/ (iii) G-1, dated 28th December 1959.
15A	Purchases of hand spun Cotton yarn from a person who is not a registered dealer by a person who is a registered dealer and who is certified for the purpose by the Commissioner after taking into account the recommendation of The Gujarat Rajya Khadi and Gramodhyog board established under the Bombay Khadi and Village Industries Act, 1960 or of the Khadi and Village Industries Commission constituted under the Khadi and Village Industries Commission Act, 1956.	Do.	 <p>(1) The handspun Cotton yarn purchased by the person shall be used by him in the production of <i>Khadi</i> cloth.</p> <p>(2) if the person certified by the Commissioner contravenes any of the provisions of the Act or the rules made thereunder or the condition of the exemption, the certificate issued to him by the Commissioner shall be liable to be cancelled and on such cancellation the exemption granted under this notification shall cease to have effect."</p>	Notification No. STA. 1060/ 671-K, dated the 20th February 1961.
16	Sales of goods other than the goods specified in Schedule B and at entries 1 to 11 ( both inclusive ) and 15 of Schedule C and at entries 1 to 4 ( both inclusive ) in Schedule D and at entries 1 and 2 in Schedule E and those which the State Government may from time to time by notification in the <i>Official Gazette</i> , specify under section 25 of the Act by a Registered dealer to an electrical undertaking certified for the purpose by the Commissioner.	Do.	<p>(1) If the electrical Undertaking furnishes to the selling dealer a declaration in Form H appended hereto that the goods purchased are required the use in the generation and distribution of electrical energy by the undertaking.</p> <p>(2) If the electrical undertaking fails to use the goods in accordance with the terms of the declaration furnished by it or contravenes any provisions of the Act or the Rules made thereunder the certificate issued by the Commissioner shall be liable to be cancelled.</p>	Notification No. STA. 1059 (iii) G.1, dated 28th December, 1959
17	A transaction or series of transaction of sales or re-sales of Cotton made by or through a member of the East India Cotton Association Limited in accordance with its rules and by laws and a transaction or series of transactions of sales or re-sales of oilseeds made by or through a member of the Bombay Oilseeds Exchange	Do.	If the person who purchases such cotton or oil seeds through the last buyer in the transaction or where such cotton or oilseeds are purchased by the last buyer on his own account such last buyer is Licenced dealer and furnishes a declaration in Form I appended hereto duly endorsed by a respon-	Do.

Sr. No.	Class of Sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemption
1	2	3	4	5
	Limited in accordance with its rules and by-laws.		sible Officer authorised in that behalf by the East India Cotton Association Limited or the Bombay Oilseeds Exchange, Limited as the case may be.	
			<i>Explanations.</i> — For the purpose of this clause, the term "last buyer" shall have the same meaning as it has in the by-laws of the East India Cotton Association, Limited or the Bombay Oilseeds Exchange Limited as the case may be.	
18	Purchase of raw silk, raw wool, or wool tops or woollen yarn by a Registered dealer from a person who is not a Registered dealer.	Whole of purchase tax under section 13 of the Act.	If the Registered dealer has actually used the goods referred to in column 2 in the manufacture for sale of silk yarn or Chemically cleaned wool or woollen yarn or bleached, dyed, twisted or otherwise processed woollen yarn.	Notification No. STA 1060/4238 (A)-K, dated 1st December 1960
19	Sales of <i>Patola sarees</i> , <i>scarves</i> or other articles woven on handlooms by, or purchases thereof from a person engaged in the <i>Patola</i> industry and certified by the Commissioner for the purpose.	Whole of Tax	If the person certified by the Commissioner contravenes any provisions of the Act or the rules made thereunder the certificate issued by the Commissioner shall be liable to be cancelled.	Government Notification No. STA. 1063 TH, dated 6th September 1963.
20	Sales of pura silk <i>kinkhab</i> cloth by or purchases thereof from a person who is engaged in the manufacture of <i>kinkhab</i> cloth and who is certified by the Commissioner for the purpose.	Do.	Do.	Do.
<p><i>Explanation :—</i></p> <p>(1) "<i>Kinkhab</i> cloth" means handloom cloth inter woven with pure silk yarn and Jari thread in which the designs or patterns are made without the use of jacquards or dobbies or both.</p> <p>(2) Pure silk fabric means cloth of which the content (excluding the Jari thread content) is not less than 60 percent of pure silk.</p>				
21	Sales by a manufacturing or an assembler of motor vehicles (hereinafter referred to in this item as "the manufacture") who is Registered dealer and who is certified by the Commissioner for the purpose, of motor vehicles to his agent or distributor who carries on the business of selling motor vehicles at a place outside the State of Bombay and who is certified by the Commissioner for purpose.	To the extent to which the amount of sales tax exceeds one naye paisa in the rupee.	1. If the agent or distributor has furnished to the manufacture a declaration in Form J appended here to and has transported such motor vehicles to his own place of business within one month of their sale to him and it is shown to the satisfaction of the Commissioner that such agent or distributor has within a period of six months from the date of such transport resold the motor vehicles otherwise than in the course of trade the motor vehicles otherwise than in the course of trade or commerce with persons in the State of Bombay.	Notification No. STA/1059/(iii) G-1, dated 28th December 1959.

Sr. No.	Class of Sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemptions
1	2	3	4	5
			2. If the manufacturer or agent or distributor contravenes any provisions of the Act or the Rules made thereunder the certificate issued to him by the Commissioner shall be liable to be cancelled.	
22	Sales of Air conditioning plant, Refrigerators and mechanical water cooler and spare parts thereof used or suitable for use with an electric motor of not less than 5 H. P. and refrigerators of a cabinet size of not less than 4 cubic meters to a Registered dealer.	To the extent to which the amount of sales tax exceeds five naye paise in the rupee.	If the Registered dealer furnishes to the selling dealer a declaration in Form K appended hereto declaring <i>inter alia</i> that the goods are required for use by him directly in the manufacture of any goods for sale, or for air-conditioning any chamber or room where such manufacture is carried on, or in the storage of goods in connection with such manufacture.	Notification No. STA/1059/ (iii) G-1, dated 28th December 1959.
23	Sales of iron and steel furniture to a charitable hospital, dispensary or clinic which is certified by the Commissioner for the purpose.	Do.	If the person in charge of the management of such hospital, dispensary or clinic, as case may be, furnishes to the selling dealer a declaration in Form L appended hereto that the furniture so purchased is for use in use in such hospital dispensary or clinic as the case may be.	Do.
24	Sales of iron and steel to, or purchase thereof by, (a) an iron and steel foundry which does not employ more than 20 persons, or (b) a re-rolling mill which does not employ more than 50 persons, where such foundry or re-rolling mill is a Registered dealer and is certified by the Commissioner for the purpose.	To the extent to which the amount of sales tax or as the case may be, purchase tax, exceeds one naye paisa in the rupee.	(1) If the Foundry or as the case may be the mill furnishes to the selling dealer a declaration in Form M appended hereto declaring <i>inter alia</i> that the iron or steel so purchased will be used in the production of taxable goods for sale.  (2) If the Foundry or Mill fails to use the goods in accordance with the terms of the declaration furnished by it or contravenes any provisions of the Act or the rules made thereunder the certificate issued by the Commissioner shall be liable to be cancelled.	Do.
25	The sales of goods specified in the Appendix below to a manufacturer or processor of cotton fabrics who is a registered dealer and who is certified by the Commissioner for this purpose.	To the extent to which the amount of sale tax exceeds two naye paise in the rupee and to the extent to which the amount of general sales tax exceeds two naye paise in the rupee provided that if on the same goods Sales Tax is leviable no general sales tax be levied.	(1) If the manufacturer or processor furnishes to the selling dealer a declaration in Form "N" appended hereto declaring <i>inter alia</i> that the goods are required for use by him in the manufacture or processing of cotton fabrics for sale or in the packing of cotton fabrics for sale or in the packing of cotton fabrics so manufactured or processed.	Do.
APPENDIX				
	(1) Petroleum and petroleum products specified in entry 25 of Schedule C to the Act.			

Sr. No.	Class of Sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemptions
1	2	3	4	5
	(2) Expendable Mills Stores including laboratory equipment and artist implements, other than those covered by entry 15 of Schedule C to the Act.		(2) If the manufacturer or processor fail to use the goods in accordance with the terms of the declaration furnished by him or contravenes any provisions of the Act or the Rules made thereunder, the certificate issued by the Commissioner shall be liable to be cancelled.	
	(3) Engineering and Electrical stores other than those covered by entry 15 of Schedule C to the Act.			
	(4) Chemical and sizing, finishing and other processing materials and solvent oil.			
	(5) Packing baling and marking materials.			
26	Sales of goods specified in the Appendix hereto a dealer who carries on the process of bleaching, dyeing or printing of cotton fabrics or yarn and who is certified by the Commissioner for the purpose.	To the extent to which the amount of sales tax exceed two naye paise in the rupee and to the extent to which the amount of general sales tax exceeds two naye paise in the rupee provided that if on the same goods sales tax is leviable no general sales tax shall be leviable.	(1) If the dealer furnished to the selling dealer a declaration in Form O appended hereto declaring <i>inter alia</i> that the goods are required for use by him in the process of bleaching or dyeing of yarn on behalf of a Registered dealer, or on behalf of himself if he is a Registered dealer, or for use by him in the process of bleaching, dyeing or printing of cotton fabrics, or in the packing of cotton fabrics or yarn so processed.  (2) If the dealer maintains a register in Form P appended hereto stating therein the purchases made by him on a declaration in Form O and their utilization in the aforesaid manner and furnishes a quarterly extract thereof to the Sales Tax Officer within whose jurisdiction his place of business is situate within a month from the end of the quarter.  (3) If the dealer contravenes any of the aforesaid conditions or of the provisions of the Act or the Rules made thereunder certificate issued to him by the Commissioner shall be liable to be cancelled.	Notification No. STA 1059 (iii) G-1, dated 28th December 1959
APPENDIX				
	(I) Processing materials.			
	(II) Packing, baling and marking materials other than those falling under entry 6 in Schedule C to the Act.			
27	Sales of footwear made by hand without using power at any stage, not being footwear falling under entry 24 in schedule A, by a Registered dealer who is certified for the purpose by the Commissioner.	Whole of tax	(1) If the Registered dealer sells only such footwear as are manufactured by him.	Notification No. STA. 1060. G-1, dated 21st January 1960.



Sr. No.	Class of Sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemptions
1	2	3	4	5
			(2) If the turnover of all sales of the Registered dealer during the previous year or current year does not exceed Rs. 30,000.	
			(3) If during any year the turnover of the Registered dealer of all sales exceeds Rs. 30,000 then on and from the date on which the turnover of sales so exceeds the exemption granted under this notification shall cease to have effect and the certificate issued to him by the Commissioner shall stand revoked.	
			(4) If the Registered dealer contravenes any of the provisions of the Act or the Rules made thereunder the certificate issued to him by the Commissioner shall be liable to be cancelled and on such cancellation the exemption granted under this notification shall cease to have effect.	
			(5) The Registered dealer shall not be entitled to claim exemption under rule 28 of the Bombay Sales Tax Rules, 1959 from furnishing returns so long as the exemption under this notification continues.	
28	Sales of garlands, <i>venis</i> and bouquet of fresh flowers by manufacturer thereof who is a registered dealer and has been certified by the Commissioner for the purpose.	Whole of Tax	(1) If the turnover of all sales of the Registered dealer during the previous year or the current year does not exceed Rs. 30,000.	Notification No. STA. 1060(iii) GI, dated 4th February 1960.
			(2) If during any year the turnover of the Registered dealer of all sales exceeds Rs. 30,000 then on and from the date on which the turnover of sales so exceeds the exemption granted under this notification shall cease to have effect and the certificate issued to him by the Commissioner shall stand revoked.	
			(3) If the Registered dealer contravenes any of the provisions of the Act or the rules made thereunder the certificate issued to him by the Commissioner shall be liable to be cancelled and on such cancellation the exemption granted under this notification shall cease to have effect.	

Sr. No.	Class of Sales or purchases	Exemption whether of whole or part of tax	Conditions	Authority for exemptions
1	2	3	4	5
			(4) The Registered dealer shall not be entitled to claim exemption under rule 28 of the Bombay Sales Tax Rules, 1959 from furnishing returns so long as the exemption under this notification continues.	
29	Sales of bullion and specie, and of articles made of gold (of fineness of not less than fifty per cent) and of silver (of fineness of not less than seventy five per cent), both not containing precious stones or pearls, whether real, artificial or cultured, of a value exceeding one-tenth of the value of each such article.	Whole of the retail sales tax.	Nil.	Notification No. (GHN 44)-STA 1064/63 (iii)-TH, dated the 1st May 1964.
30	Resales of goods specified in Schedule 'E' on the purchase price of which the dealer is liable to pay purchase tax under section 14 of the Act.	Whole of General Sales Tax.	Nil.	Notification No. STA. 1061-K, dated 17th June 1961.
31	Resales of cotton waste purchased from a registered dealer prior to 19th April 1961 by a dealer who was not a licensed dealer at the time of such purchase.	Whole of sales tax		Notification No. STA. 1061-K, dated the 17th June 1961.
32	(i) Sales of goods imported from any place outside India and kept in the Customs Bond, to the Master of a ship bound for any place outside India.	To the extent to which the amount of sales tax exceeds three naye paise in the rupee and to which the amount of general sales tax exceeds three naye paise in the rupee; Provided that if on the same goods sales tax is leviable, no general sales tax shall be levied.	If the master of ship furnishes to the selling dealer a declaration in Form 'Q' appended hereto declaring <i>inter alia</i> that the goods purchased by him are intended for consumption after leaving a port in the State of Gujarat during the State of Gujarat during the voyage to any place out-side India.	Notification No. STA-11/71856, dated 17th March 1962.
	(ii) Sales of foodstuffs and food provisions of all kinds, alcoholic and non-alcoholic beverages and tobacco products.	To the extent to which the amount of sales tax exceeds three naye paise in the rupee and to the amount of general sales tax exceeds three naye paise in the rupee; provided that if on the same goods sales tax is leviable, no general sales tax be levied.	If the master of the ships furnishes to the selling dealer a declaration in Form 'Q' appended hereto declaring, <i>inter alia</i> that the goods purchased by him are intended for consumption after leaving a port in the State of Gujarat during the voyage to any place outside India.	Notification No. STA-1061 / 71856-K, dated 17th March 1962.
	(iii) Sales of goods imported from any place outside India to Commanders of Aircrafts bound for any place outside India in respect of which full drawback of import duties is admissible under the Sea Customs Act, 1878.	Do.	If the Commanders of the Air craft furnishes to the selling dealer a declaration in the Form 'Q' appended hereto declaring <i>inter alia</i> that the goods purchased by him are intended for consumption after leaving a port in the State of Gujarat during journey to any place outside India.	Do.

Sr. No.	Class of sales or purchases	Exemption whether of whole or part of tax	Condition	Authority for exemptions
1	2	3	4	5
33	Sales by a registered dealer of artificial silk yarn or staple fibre yarn purchased by him in the course of inter-State trade or commerce from a dealer having a place of business in another State on payment of tax under the Central Sales Tax Act, 1956, to a registered dealer who is a manufacturer of rayon or artificial silk fabrics described in entry 31 in Schedule A to the Bombay Sales Tax Act, 1959.	To the extent to which the amount of sales tax exceeds one <i>naya paisa</i> in the rupee : Provided that where the rate of tax paid by the dealer under the Central Sales Tax Act, 1956 is less than one per cent the exemption shall be to the extent of the amount of the tax so paid.	If the purchasing dealer furnishes to the selling dealer a declaration in Form R appended hereto declaring <i>inter-alia</i> that the artificial silk yarn or staple fibre yarn, as the case may be, so sold to him will be used in the manufacture of Rayon or Artificial Silk fabrics specified in entry 41 in Schedule A.	Government Notification No. STA. 1062/3383-K, dated the 6th April 1962.
34	Sales by a registered dealer, of raw ivory purchased by him in the course of inter-State trade or commerce from a dealer having a place of business in another State on payment of tax under the Central Sales Tax Act, 1956, to a registered dealer who is a manufacturer of ivory bangles described in entry 27 in Schedule 'A' to the Bombay Sales Tax Act, 1959.	To the extent to which the amount of sales tax exceeds two <i>naye paise</i> in the rupee and the whole of general sales tax.	If the purchasing dealer furnishes to the selling dealer a declaration in Form 'S' appended hereto declaring <i>inter-alia</i> that the raw ivory, so sold to him will be used in the manufacture of ivory bangles described in entry 27 in Schedule 'A' for sale by him, which sale shall not take place outside the State of Gujarat.	Government Notification No. STA. 1062 - 31663-K, dated the 13th July 1962.
35	Deleted			
36	Sales of good made to a dealer having his place of business in any of the Union Territories of Dju, Daman or Dadra-Nagar Haveli.	To the extent to which the amount of sales tax exceeds three paise in the rupee and to the extent to which the amount of general sales tax exceeds three paise in the rupee provided that if on the same goods sales tax is leviable, no general sales tax shall be levied.	(1) If the selling dealer proves to the satisfaction of the assessing authority that the goods so sold by him have been actually removed by the purchasing dealer or his Agents to a place in any of the Union territories of Dju, Daman or Dadra-Nagar Haveli, and (2) If the purchasing dealer furnished to the selling dealer, a declaration in Form T appended hereto, declaring <i>inter-alia</i> that the goods have actually been removed by him or his agent, to a place in the Union territories of Dju, Daman, Dadra-Nagar Haveli and that the goods so purchased, are required for sale or for use in the manufacture of goods for sale or in the packing of goods for sale or in the packing of the manufactured goods for sale and that such sale shall not take place in the State of Gujarat.	Government Notification No. STA. 1033-2904-TH, dated 25th July 1963.
37	Sales of tractors and spare parts and accessories of such tractors.	Whole of general sales tax.	If the purchaser furnishes to the selling dealer, a declaration in Form 'U' appended hereto, declaring <i>inter-alia</i> that he is an agriculturist and the tractor/spare parts and accessories of tractor purchased by him will be used by him in the State of Gujarat for agricultural purposes.	do.

Sr. No.	Class of sales or purchases	Exemption whether of whole or part of tax	Condition	Authority for exemptions
1	2	3	4	5
38	Deleted			
39	Sales by a registered dealer. of cotton as specified in entry 1 of Part II of Schedule B to the Bombay Sales Tax Act, 1959 purchased by him in the course of inter-State trade or commerce from a dealer having a place of business in another State on payment of tax under the Central Sales Act, Tax 1956 to a registered dealer who is a manufacturer of cotton yarn, waste, cotton waste or cotton fabrics as specified in entry 15 in Schedule A to the Act.	To the extent to which the amount of general sales tax exceeds one <i>naya paisa</i> in the rupee provided that where the rate of tax paid by the dealer under the Central Sales Tax Act, 1956 is less than 1 per cent the exemption shall be to the extent of the amount of the tax so paid.	If the purchasing dealer furnishes to the selling dealer a declaration in Form W appended hereto declaring <i>inter-alia</i> that the cotton so sold to him will be used in the manufacture of cotton yarn, cotton yarn waste, cotton waste or cotton fabrics as specified in entry 15 in Schedule 'A' to the Act for sale by him, which sale shall not take place outside the State of Gujarat.	Government Notification No. STA. 1063-206-TH, dated the 18th August 1963.
40	Sales of parched, roasted or salted groundnut seeds or groundnuts, by a registered dealer, who does not hold Recognition under section 25 of the Bombay Sales Tax Act, 1959 and who is certified for the purpose by the Commissioner.	Whole of tax.	<p>(1) If the groundnut seeds or groundnuts were parched roasted or, as the case may be, salted by the Registered dealer and the groundnut seeds or nuts as so parched, roasted or salted were sold by him.</p> <p>(2) If the turnover of all sales of the registered dealer during the previous financial year as well as the current financial year, does not exceed Rs. 30,000.</p> <p>(3) If, during any financial year, the turnover of the registered dealer of all sales exceeds Rs. 30,000 then on and from the date on which the turnover of sales so exceeds, the exemption granted under this notification shall cease to have effect and the certificate issued to him by the Commissioner shall stand revoked.</p> <p>(4) If the registered dealer contravenes any of the provisions of the Act or the rules made there under the certificate issued to him by the Commissioner shall be liable to be cancelled and on such cancellation the exemption granted under this notification shall cease to have effect."</p>	Government Notification No. STA. 1064-46-TH, dated 8th January 1964.
41	Sales of spirituous medicinal preparations, falling under entry 69 in Schedule 'C' to the Act, to a hospital or dispensary under the administrative control and management of a local authority of the Government of Gujarat.	To the extent to which the amount of sales tax exceeds five <i>naye paise</i> in the rupee.	If the person in charge of the management of such hospital or dispensary as the case may be, furnishes to the selling dealer a declaration in Form X appended hereto that the spirituous medicinal preparation so purchased are for using such hospital or dispensary as the case may be.	Government Notification No. (GHN-8), STA-1064 41-TH, dated the 19th February 1964.

Sr. No.	Class of sales or purchases	Exemption whether of whole or part of tax	Condition	Authority for exemptions
1	2	3	4	5
42	Sales by a registered dealer, of cotton yarn purchased by him in the course of inter-State trade or commerce from a dealer having a place of business in another State on payment of tax under the Central Sales Tax Act, 1956, to a registered dealer who is a manufacturer of cotton fabrics described in entry 15 in Schedule A to the Act.	To the extent to which the amount of sales tax exceeds one <i>naya paisa</i> in the rupee : provided that where the rate of tax paid by the dealer under the Central Sales Tax Act, 1956 is less than one per cent, the exemption shall be to the extent of the amount of the tax so paid.	If the purchasing dealer furnishes to the selling dealer a declaration in Form Y appended here to declaring <i>inter alia</i> that the cotton yarn so sold to him will be used in the manufacture of cotton fabrics specified in entry 15 in Schedule A to the Act.	Government Notification No. (GHN 35) STA (41)/1064 (42 and 43)-TH, dated the 18th April 1964.
43	Sales by registered dealer, of iron and steel as specified in entry 3 of Part I of Schedule B to the Bombay Sales Tax Act, 1956 purchased by him in the course of inter-State trade or commerce from a dealer having a place of business in another State on payment of tax under the Central Sales Tax Act, 1956, to a registered dealer who is a manufacturer of any taxable goods therefrom, for sale.	To the extent to which the amount of sales tax exceeds one <i>naya paisa</i> in the rupee : provided that where the rate of tax paid by the dealer under the Central Sales Tax Act, 1956 is less than 1 per cent the exemption shall be to the extent of the amount of the tax so paid.	If the purchasing dealer furnishes to the selling dealer a declaration in Form Z appended hereto, declaring <i>inter-alia</i> that the iron and steel so sold to him will be used in the manufacture of any taxable goods therefrom for sale by him, which sale shall not take place outside the State of Gujarat.	do.
44	Sales of goods by a registered dealer to the Central Government or any State Government for the purpose of official use by such Government and not for the purpose of resale or for use in manufacture of any goods for sale.	To the extent to which the amount of sales tax exceeds three paise in the rupee, and to the extent to which the amount of general sales tax exceeds three paise in the rupee; provided that if on the same goods sales tax is leviable no general sales tax shall be levied.	If the authorised officer of the Government furnishes to the selling dealer, a declaration in form AA appended hereto declaring <i>inter-alia</i> that the goods so sold to him will be used for the purpose of official use by the Government and not for the purpose of resale or for use in manufacture of any goods for sale.	Government Notification No. (GHN. 101) STA-(41) 1064 (44)-TH, dated 25th September 1964, and Explanation is added vide Notification No. GHN-256/VVA 1066/332 TH, dated 1st February 1966.
<b>Explanation :—</b>				
In this item "authorised officer" means any Head of Department declared as such under clause (23) of Rule 9 of the Bombay Civil Services Rules, 1959, or, as the case may be, under clause (10) of rule 2 of the Supplementary Rules of the Government of India or any officer, authorised by such Head of Department for signing the declaration in Form AA.				
45	Resales of the following goods purchased from a registered dealer prior to 1st May 1964:—	Whole of Sales Tax.	Nil.	Government Notification Finance Department, No. (GHN 134) STA). (46 and 47)-TH, dated 3rd December 1964.
	(1) Groundnut husks ..			
	(2) Card board boxes and cartons			
	(3) Empty tins and empty barrels.			
	(4) Wooden boxes ( <i>khokhas</i> ) and tin boxes.			
	(6) Polythene packing materials			

Sr. No.	Class of sales of purchases	Exemption whether of whole or part of tax	Condition	Authority for exemptions
1	2	3	4	5
	(7) Paper labels. (8) Steam. (9) Natural and associated gas (other than inflammable gas supplied in closed containers as specified in entry 10A in Schedule E). (10) Vitaminised food, intan milk sold in sealed containers.	..	..	
46	Resales of rough blanks (other than lenses and spectacles frames,) and accessories of spectacles purchased from a registered dealer prior to 12th August 1962, by a registered dealer.	..	..	Government Notification Finance Department No. (GHN-134) STA. (41)/1064- (45, 46 and 47)-TH, dated 3rd December 1964.
	(i) if the purchasing registered dealer was not a licensed dealer at the time of such purchase, and	Whole of sales tax.	Nil.	
	(ii) if the purchasing registered dealer was a licensed dealer at the time of such purchase.	To the extent to which sales tax exceeds three naye paise in the rupee.	Nil.	Do.
47	Resales of starters fixtures and fittings and accessories of fluorescent tubes specified in entry 15 in Schedule E to the Act, purchased from a registered dealer prior to 12th August 1962.	To the extent to which the amount of sales tax exceed five naye paise in the rupee and whole of retail sales tax.	Nil.	Do.
48	Purchase by a registered dealer, of sugar caues used by him in the manufacture of sugar as defined in item No. 1 of the First Schedule to the Central Excises and Salt Act, 1944.	Whole of purchase tax under section 14-B of the Act.	If the sugar manufactured by him is actually exported outside the territory of India on export quota release determined by the Government of India.	Notification No. (GHN-307) VVA. 1066/(48) TH, dated the 1st July 1966.
49	A transaction or series of transactions of sales or resales of groundnut oil made by or through a member of the Saurashtra Oil and Oil seeds Association Limited in accordance with its rules and by-laws.	Whole of tax.	If the person who purchases such oil through the last buyer in the transaction or, where such oil is purchased by the last buyer on his own account such is a licensed dealer and furnishes a declaration in Form BB duly endorsed by a responsible officer authorised in that behalf by the Saurashtra Oil and Oil seeds Association Limited.  <i>Explanation.</i> — For the purpose of this clause, the term "last buyer" shall have the same meaning as it has in the by-laws of the Saurashtra Oil and Oilseeds Association Limited.	Notification No. (GHN-319) VVA-1066(49-50)TH, dated the 10th August 1966.
50	Sales of photographs by any Registered dealer carrying on the business of photography, who is certified for the purpose by the Commissioner and who does not hold recognition.	Do.	(1) If the photographs referred to in column 2 are photographs taken on the orders of customers.  (2) If during the course of assessment of the dealer, the Sales Tax Officer is satisfied that the turnover of sales of the dealer during the year under assessment was less than Rs. 30,000	Do.

Sr. No.	Class of sales or purchases	Exemption whether whole or part of tax	Condition	Authority for exemption
1	2	3	4	5
		..	(3) The registered dealer shall not be entitled to claim exemption under rule 28 of the Bombay Sales Tax Rules, 1959, from furnishing returns so long as the exemption under this notification continues.	
			(4) The registered dealer shall not be entitled to claim draw-back, set-off or refund in respect of the tax recovered from him or payable on his purchase of goods used in the process of taking photographs the sales of which by the said dealer are exempted from payment of tax under this entry.	
51	Sales by a registered dealer, of the following goods, namely:-	Whole of tax.	Nil	Government Notification No. (GHN-359) VVA' 1067 / (S. 41) (E-51) - TH, dated 15th February 1967.
	(1) <i>Nadapati</i> woven on handlooms (excluding those which are braided or trimmed);			
	(2) Lamp-wicks woven on handlooms (excluding those which are braided or trimmed);			
	(3) Tapes woven on handlooms (excluding those which are braided or trimmed);			
	(4) Ribbons woven on handlooms (excluding those which are braided or trimmed);			
	(5) <i>Naver</i> woven on handlooms;			
	(6) Bandages woven on handlooms;			
	(7) Gauges woven on handlooms;			
*52	"Sales or purchases of cotton Yarn but not including cotton yarn waste.	To the extent which the amount of sales tax or as the case may be, purchase tax exceeds two paise in the rupee.		Government Notification (GHN . 418) VVA - 1067 / (S-41) (E-52), dated 1st September, 1967".
53	"Sales of goods made to foreign tourists during the fifth International Tourist year.	Whole of tax.	If the purchases are made by such tourists on payments in foreign currency or foreign traveller cheques only.	Government Notification No. (GHN. 420) VVA-1067-(S-41)(E-53)-TH, dated the 4th September 1967".
**54	"Sales or purchases of staple fibre and staple fibre yarn, terylene fibre and terylene fibre yarn and all other synthetic fibres and synthetic yarns, as specified in entry 10 in Schedule C to the Bombay Sales Tax Act, 1959.	To the extent to which the amount of sales tax or as the case may be, purchase tax exceeds two paise in the rupee.		Government Notification No. (GHN-429) VVA-1067 / (S-41) (E-54) - TH, dated the 28th September 1967".
**55	"Sales or purchase of oil cakes.	To the extent to which the amount of general sales tax or as the case may be purchase tax exceeds one and a half paise in the rupee.		Government Notification No. (GHN-473) VV A-1068 / (S-41) (E-55)- TH, dated the 29th January 1968".

\* Entries 12 and 52 as amended subsequent to the issue of Questionnaire are shown.

\*\* Entries 54 and 55 inserted subsequent to the issue of Questionnaire.

## ANNEXURE IV TO THE QUESTIONNAIRE

( See Question No. 14 of Part-II )

*Processes not included in 'Manufacture' as per rule 3*

- (i) the dyeing, bleaching and printing of pure silk cloth;
- (ii) the decorating, colouring, scenting, boiling, cutting, crushing or roasting of betelnut;
- (iii) the colouring of cardamum;
- (iv) the roasting or grinding of coffee seeds;
- (v) the blending of different varieties of tea;
- (vi) the parching or roasting of cereals and pulses without the addition thereto of any material except salt and turmeric during the process of heating;
- (vii) the dyeing, bleaching, doubling or twisting of artsilk yarn, staple fibre yarn or pure silk yarn;
- (viii) the dispensing of medicines;
- (ix) the melting, mixing, refining, alloying or stamping of bullion or the mixing of bullion with gold or silver derived from the melting of articles of gold or silver.

*Explanation.*—For the purpose of this clause 'bullion' shall be deemed to include also the goods specified in entry 2 in Schedule E.

- (x) the cutting of paper from reels into reams ;
- (xi) recovering of jewels and other components from old jewellery and ornaments;
- (xii) the preparing from betel leaves of pan, tumbul, *vida* or *Patti*;
- (xiii) deleted;
- (xiv) the grinding of chillies turmeric or other condiments and the grinding of *masala* and its ingredients and the mixing or blending of condiments and spices; and
- (xv) the preparing of butter from cream or ghee from butter;
- (xvi) rolling of *bidis* by hand;
- (xvii) any activity carried out in relation to goods specified in any entry in Schedule A as a result of which, the resultant product is not taken out from Schedule A;
- (xviii) cutting of glass into sizes;
- (xix) charging of electric batteries.



## ANNEXURE V TO THE QUESTIONNAIRE

( See Question No. 14 of Part II )

*Executive clarifications considering certain activities as not 'Manufacture'*

1. Mere cutting down 'SIZES' of wood into smaller sizes to suit the convenience of an individual customer.
2. Cutting of cloth into pieces as per requirements of the customer.
3. Mere grading and cleaning of gum.
4. Removing by hand-picking impurities from cotton waste, removing by manual labour impurities from raw wool, cleaning by manual labour of raw hemp, salting of raw hides and greasing of iron.
5. Sprinkling food stuff with insecticide or applying oil to cereals and pulses.
6. Polishing stock, repainting of laded articles, straightening out bent metal or strips.
7. Inserting watch straps into watches.
8. Coiling, cutting, bending and twisting of iron and steel.
9. Buying in bulk and reselling the same goods in small quantities.
10. Mending of gunny bags or stitching the mouth of a gunny bag after the goods are filled in them.
11. Fitting of perfumery and toilet goods into wooden or plastic boxes, putting battery, cells and bulbs into an empty electric torch, reassembling of cycles purchased in a 'taken down' condition for convenience of transport.
12. Ruling of blank paper.
13. Preparing reels and hanks of yarn.
14. Punching holes in iron strips at the requisit of customers.
15. Conversion of gur into rasi or rava by boiling.
16. Merely fitting lenses into spectacle frames.
17. Inserting wicks and putting globes into lamp or lanterns.
18. Mere sorting, asorting and grading operations.
19. Mere sorting and grading of precious stones or semi-precious stones or gums or resins.
20. Separating yarn of various counts from a quantity of mixed yarn.
21. Spooling and reeling of yarn or typewriter ribbon for convenience of handling.
22. Assembling a feeding bottle from bottle cap and rubber nipple.
23. Job painting work.
24. Cutting ivory tusks into convenient length without the pieces into slabs and blocks.
25. Cutting slabs and polished stone or marble by hand into sizes specified by customers at the time of sale.
26. Conversion of milk into chakka or khoa.
27. Dyeing, bleaching, twisting or doubling of cotton yarn.
28. Ginning and/or pressing of cotton.
29. Greasing of Iron.
30. Tanning of hides and skin.
31. Activity of cleaning ornaments in aritha water and lime water.
32. Treating of 'GHEE' for 'AGMARK' purpose.

## ANNEXURE VI TO THE QUESTIONNAIRE

(See Question 12 of part III)

*Scheme of simple assessment***Methods of Assessment:**

- (a) The Scheme shall be called 'Scheme for simple process' of assessment.
- (b) *Scope*.—The scheme for simple process of assessment will be applicable to those dealers—
- (i) Who are registered under the Bombay Sales Tax Act, 1959;
  - (ii) Who are not registered under the Central Sales Tax Act, 1956;
  - (iii) Who are not holding documents like licence, Authorization, recognition or permits as the case may be, under the Bombay Sales Tax Act, 1959;
  - (iv) Who are not holding certificate for the purpose of exemptions notified under section 41 of the Bombay Sales Tax Act, 1959;
  - (v) Who are not manufacturers;
  - (vi) Who are not assessed to tax for more than Rs. 300 (Rupees three hundred only) per year for the last two years prior to the assessment year; and
  - (vii) Who are not in arrear of tax under/or penalty in terms of the provisions of the Bombay Sales Tax Act, 1959 or who pay up the arrears to the satisfaction of the Commissioner of Sales Tax.
- (c) *Forms to be furnished by the dealer*.—Every dealer who will be assessed under this scheme will be required to furnish (a) quarterly return or (b) annual return in prescribed form under the Bombay Sales Tax Rules, 1959.
- (d) *Methods for preparing list of dealers*.—Such Sales Tax officer as may be so directed by the Commissioner of Sales Tax will prepare within two months of the receipt of information every year, a list of dealers to be covered under this scheme and then will forward the same to assessing Officers in Form 'B' to be prescribed by the Commissioner of Sales Tax.
- (e) *Details to be supplied by Vigilance Unit*.—The vigilance section will supply information to assessing authorities regarding general developmental index of different trades in various areas.
- (f) *Survey*.—The Commissioner of Sales Tax will make a random selection of 10 per cent of the cases of dealers who are covered by this simple process of assessment for regular assessment.
- (g) *Methods of Assessment*.—(i) Assessing Officer on the basis of information supplied by Sales Tax Officer, (Adm.), and the Vigilance Section will scrutinise the returns filed by the dealer.
- (ii) Assessing Officer will pass assessment order provided the dealer has paid tax alongwith returns according to General developmental index determined by the Vigilance Section.
- (iii) Where the tax paid alongwith returns is less than the amount to be paid according to the general developmental index, the assessing officer will issue notice as to why the assessment should not be carried out according to the general developmental index. (Form to be prescribed 'C') If the dealer accepts the amount of tax mentioned in the notice so issued, then the assessing officer should pass assessment order accordingly. In cases where the dealer does not accept to pay tax according to amount mentioned in the notice so issued, he will be assessed in the regular manner.
- (iv) The assessment orders shall be in prescribed form under the Bombay Sales Tax Rules, 1959.

-----

## ANNEXURE VII TO THE QUESTIONNAIRE

( See Question 1 of Part VI )

*Chart showing the organisational pattern of the Sales Tax Department upto the level of the Assistant Commissioner of Sales Tax*

Officers enjoying State wide jurisdiction	Officers enjoying jurisdiction over division and sub-ordinate to the Commissioner of sales tax, Gujarat State	Officers enjoying jurisdiction over ranges and sub-ordinate to the Deputy Commissioner of the Division
1	2	3
1. Commissioner of Sales Tax, Gujarat State, Ahmedabad. (Head of the Department)	1. Deputy Commissioner of Sales Tax, Ahmedabad Division, Ahmedabad.	1. Assistant Commissioner of Sales Tax (Adm), Range II, Ahmedabad.
2. Deputy Commissioner of Sales Tax (Hqrs.) Ahmedabad.		2. Assistant Commissioner of Sales Tax (A.C. A.), Range IV, Ahmedabad.
		3. Assistant Commissioner of Sales Tax (Audit) Ahmedabad Division, Ahmedabad.
		4. Assistant Commissioner of Sales Tax (Appeals), Range II, Ahmedabad.
3. Assistant Commissioner of Sales Tax (Insp.), Gujarat State, Ahmedabad (in the office of the Commissioner of Sales Tax).	2. Deputy Commissioner of Sales Tax, Rajkot Division, Rajkot.	1. Assistant Commissioner of Sales Tax (A.C. A.), Range I, Rajkot.
		2. Assistant Commissioner of Sales Tax (A. C. A.), Range VI, Bhavnagar.
		3. Assistant Commissioner of Sales Tax (Audit), Rajkot Division, Rajkot.
		4. Assistant Commissioner of Sales Tax (Appeals I), Range I/VI, Rajkot.
		5. Assistant Commissioner of Sales Tax (Appeals II), Range I/VI, Bhavnagar.
4.*Two Assistant Commissioners of Sales Tax working as Government Agent in the office of the Commissioner of Sales Tax.	3. Deputy Commissioner of Sales Tax, Baroda Division, Baroda.	1. Assistant Commissioner of Sales Tax (A. C. A.), Range III, Baroda.
		2. Assistant Commissioner of Sales Tax (A. C. A.), Range V, Surat.
		3. Assistant Commissioner of Sales Tax (Appeals), Range III/V, Surat.
5. Assistant Commissioner of Sales Tax (Appeals), Gujarat State, Ahmedabad.		4. Assistant Commissioner of Sales Tax (Audit), Baroda Division, Baroda.

\* One post of Assistant Commissioner of Sales Tax has been created subsequent to the publication of the questionnaire.

*Chart showing the organisational set-up of the Six different Ranges in which Sales Tax Department is divided*

Officer enjoying jurisdiction over a range	Sales Tax Officers who are sub-ordinate to the respective range Assistant Commissioner of Sales Tax	No. of Officers
1	2	3
Assistant Commissioner of Sales Tax (A. C. A), Range I, Rajkot.	(1) Sales Tax Officer, Enforcement Branch, Rajkot. (2) (2) Sales Tax Officer, I Division, Rajkot. (3) + 1* = 4 (3) Sales Tax Officer, II Division, Rajkot. (3) (4) Sales Tax Officer, Jetpur. (2) + 1* = 3 (5) Sales Tax Officer, I Division, Jamnagar (3) (6) Sales Tax Officer, II Division, Jamnagar (2) (7) Sales Tax Officer, Enforcement Branch, Jamnagar. (1) (8) Sales Tax Officer, Kutch District, Bhuj (3) + 1* = 4	
	Total ..	19 + 3* = 22
Assistant Commissioner of Sales Tax (Adm), Range II, Ahmedabad.	(1) Sales Tax Officer, Registration and Returns Branch, Ahmedabad. (4) (2) Sales Tax Officer, Record and Recovery Branch, Ahmedabad. (2) + 1* = 3 (3) Sales Tax Officer, Enforcement Branch, Division I, Ahmedabad. (5) (4) Sales Tax Officer, Enforcement Branch, Division II, Ahmedabad. (4) *(5) Sales Tax Officer, Enforcement Branch Division III, Ahmedabad. (-) + 3* = 3 (6) Sales Tax Officer, City I Division, Ahmedabad. (3) (7) Sales Tax Officer, City II Division, Ahmedabad. (2) + 1 = 3 (8) Sales Tax Officer, City III Division, Ahmedabad. (3) (9) Sales Tax Officer, City IV Division, Ahmedabad. (2) + 1* = 3 (10) Sales Tax Officer, City V Division, Ahmedabad. (3)	
	Total ..	28 + 6* = 34
Assistant Commissioner of Sales Tax (A.C.A.), Range III, Baroda.	(1) Sales Tax Officer, Enforcement Branch, Baroda. (3) (2) Sales Tax Officer, City and District Division I, Baroda. (3) + 1* = 4 (3) Sales Tax Officer, City and District Division II, Baroda. (3) + 1* = 4 (4) Sales Tax Officer, Godhra. (2) + 1* = 3 (5) Sales Tax Officer, Broach (3) + 1* = 4	
	Total ..	14 + *4 = 18

Officer enjoying jurisdiction over a range	Sales Tax Officers who are subordinate to the respective range Assistant Commissioner of Sales Tax	No. of Officers
1	2	3
Assistant Commissioner of Sales Tax (A. C. A.), Range IV, Ahmedabad	(1) Sales Tax Officer, Ahmedabad District, Division I. (2) Sales Tax Officer, Ahmedabad District, Division II. (3) Sales Tax Officer, Nadiad. (4) Sales Tax Officer, Anand (5) Sales Tax Officer, Petlad. (6) Sales Tax Officer, Prantij. (7) Sales Tax Officer, Patan. (8) Sales Tax Officer, Visnagar. (9) Sales Tax Officer, Palanpur.	(2) + 1* = 3 (2) (2) + 1* = 3 (2) + 1* = 3 (2) (2) + 1* = 3 (2) + 1* = 3 (2) + 1* = 3 (2)
	Total ..	18 + 6* = 24
Assistant Commissioner of Sales Tax (A. C. A.), Range V, Surat.	(1) Sales Tax Officer, Enforcement Branch, Surat. (2) Sales Tax Officer, City and District Division I, Surat. (3) Sales Tax Officer, City and District Division II, Surat. (4) Sales Tax Officer, City and District Division III, Surat. (5) Sales Tax Officer, Registration and Return and Recovery Branch, Surat. (6) Sales Tax Officer, Navsari. (7) Sales Tax Officer, Bulsar.	(4) (4) — 1 = 3 (4) — 1 = 3 (2) + 1 = 3 (—) + 3 = 3 (2) + 1* = 3 (2)
	Total ..	18 + 3* = 21
Assistant Commissioner of Sales Tax (A. C. A.), Range VI, Bhavnagar.	(1) Sales Tax Officer, Enforcement Branch, Bhavnagar. (2) Sales Tax Officer, Bhavnagar District, Division I, Bhavnagar. (3) Sales Tax Officer, Bhavnagar District, Division II, Bhavnagar. (4) Sales Tax Officer, Savarkundla. (5) Sales Tax Officer, Surendranagar. (6) Sales Tax Officer, Porbandar. (7) Sales Tax Officer, Veraval (8) Sales Tax Officer, Junagadh. (9) Sales Tax Officer, Amreli.	(1) (2) + 1* = 3 (2) (1) + 1* = 2 (3) + 1* = 4 (2) + 1* = 3 (2) (3) + 1* = 4 (2) + 1* = 3
	Total ..	18 + 6* = 24
	Grand Total ..	115 + 28* = 143

\* New posts created subsequent to the publication of the questionnaire.

## APPENDIX D

( Para 3.16 )

*Terms of Reference of the Fifth Finance Commission*

(a) The distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under Chapter I of Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds;

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 for purposes other than those specified in the provisos to clause (I) of that article and other than the requirements of the Five Year Plan, having regard, among other considerations; to—

(i) the revenue resources of those States for the five years ending with the financial year 1973-74 on the basis of the levels of taxation likely to be reached at the end of the financial year 1968-69,

(ii) the requirements on revenue account of those States to meet the expenditure on administration, interest charges in respect of their debt, maintenance and upkeep of Plan schemes completed by the end of 1968-69, transfer of funds to local bodies and aided institutions and other committed expenditure,

(iii) the scope for better fiscal management as also for economy consistent with efficiency which may be effected by the States in their administrative, maintenance, developmental and other expenditure,

(c) the changes, if any, to be made in the principles governing the distribution amongst the States of the grant to be made available to the States in lieu of the repealed tax on railway passenger fares;

(d) the changes, if any, to be made in the principles governing the distribution amongst the States under article 269 of the net proceeds in any financial year of estate duty in respect of property other than agricultural lands;

(e) the desirability or otherwise of maintaining the existing arrangements under the Additional Duties of Excise ( Goods of Special Importance ) Act, 1957, in regard to the levy of additional duties of excise on sugar, textiles and tobacco in lieu of the States' sales taxes thereon, with or without any modifications, and the scope for extending such arrangements to other items or commodities ;

(f) irrespective of the recommendation made under item (e) above, the changes, if any to be made in the principles governing the distribution of the net proceeds in any financial year of the additional excise duties leviable under the 1957 Act aforesaid on each of the following commodities, namely :—

(i) cotton fabrics,

(ii) silk fabrics,

(iii) woollen fabrics,

(iv) rayon or artificial silk fabrics,

(v) sugar, and

(vi) tobacco including manufactured tobacco, in replacement of the State's sales taxes formerly levied by the State Governments :

Provided that the share accruing to each State shall not be less than the revenue realised from the levy of the sales tax for the financial year 1956-57 in that State ;

(g) the principles which should govern the distribution of the net proceeds of such additional items or commodities as may be recommended under item (e) above for levy of additional excise duties in lieu of the States' sales taxes thereon;

(h) the scope for raising revenue from the taxes and duties mentioned in article 269 of the Constitution but not levied at present;

(i) the scope for raising additional revenue by the various State Governments from the sources of revenue available to them; and

(j) the problem of unauthorised overdrafts of certain States with the Reserve Bank and the procedure to be observed for avoiding such overdrafts.



## APPENDIX E

( Para 5.02 )

*Outline of the systems existing in different States in India*

**ANDHRA PRADESH.**—In Andhra Pradesh, the point at which tax is to be levied is specified in the schedules. On goods in First Schedule, single point sales tax either at point of first sale or such other stage as may be specified in the schedule is levied. On goods in Second Schedule, single point purchase tax either at the point of first purchase or at the point of last purchase or such point as may be specified is levied. On declared goods in Third Schedules, single point tax is levied either at the point of first purchase, first sale or last purchase or last sale. A multiple tax at 3 paise in the rupee is levied on other goods. An additional tax at  $\frac{1}{4}$  paise in the rupee is levied if turnover of a dealer for a particular year exceeds Rs. 3 lakhs.

**ASSAM.**—In Assam, under Assam Finance ( Sales Tax ) Act, 1956, tax is levied at varying rates in respect of goods specified in the schedule at first point on sales by manufacturers or importers and the goods so taxed are exempted under Assam General Sales Tax Act, 1947. Under Assam General Sales Tax Act, 1947, tax is levied at the last stage of sale at rate specified in Schedule II. Tax is not levied on sales of goods (1) taxable under Assam ( Sales of Petroleum and Petroleum Products including Motor Spirit and Lubricants ) Taxation Act, 1955; (2) taxable under Assam Finance (Sales Tax ) Act, 1956, (3) on which duty or fee is levied under Eastern Bengal and Assam Excise Act, 1910; and (4) specially exempted goods.

**BIHAR.**—The Bihar Act provides for purchase tax at the point of purchases made from a person other than a registered dealer on specified goods at specified rates and if purchase tax is payable, no general sales tax or special sales tax would be levied. Special sales tax is levied (a) on goods in Schedule at rate stated therein and (b) on other goods at 4 per cent at point of sale to a person other than the registered dealers. There is also a general sales tax at 1 per cent on taxable turnover. Subject to the rate of general sales tax to be increased to a rate not exceeding 2 per cent in respect of notified class of goods or dealers. A lower rate not exceeding 3 per cent against prescribed declaration by purchaser recognised in prescribed manner will be paid on (a) sale of goods to Government, (b) sale of goods to registered dealer of goods required by him directly for use in manufacture and (c) sales of machinery to an intending manufacturer of specified description.

**GUJARAT.**—For Gujarat, the system and structure are discussed at great length in a separate chapter.

**KERALA.**—In Kerala, tax is levied in respect of goods in First Schedule either at the point of first sale in the State or at the point of last purchase in the State at rates specified. In the case of goods in Second Schedule tax, is levied either at the point of first sale or the point of last purchase in the State at specified rates *viz.*, 2 per cent or 1 per cent while in the case of other goods the rate is 3 per cent. There is an option for compounded levy in respect of dealers of specified categories within specified limits of turnover. Under the Kerala Surcharge on Taxes Act, 1957, provision has been made for the levy of a surcharge on sales and purchase taxes under certain circumstances.

**MADHYA PRADESH.**—In the State of Madhya Pradesh, tax is levied on taxable turnover of sale of goods specified in Schedule II at the rates specified. Purchase tax is payable by a dealer who purchases taxable goods from (a) registered dealer in circumstances in which no tax is payable on sale or (b) any other person; and either consumes or otherwise disposes or consigns. Rate of tax on raw materials for manufacture of other goods is kept at 1 per cent of the sale or purchase price. There is a provision for payment of licence fee in lieu of sales tax on goods specified in Schedule III by dealer whose turnover does not exceed Rs. 50,000.

**MADRAS.**—The Madras system is a combination of a single point tax and a multiple tax with a system of compounded levy. Single point tax is levied on goods in the



First Schedule either at the point of first purchase first sale or last purchase at the different rates specified. On goods in First Schedule sold by a dealer to a manufacturer against a prescribed declaration tax is leviable at  $1\frac{1}{2}$  per cent. On declared goods in Second Schedule, tax payable is single point tax at the point of first sale-first purchase or last purchase. There is also a multiple tax at 1 percent on agricultural products; at  $2\frac{1}{2}$  per cent on turnover of other goods.

**MAHARASHTRA.**—Maharashtra State has a composite system details of which are similar to the system prevailing in Gujarat.

**MYSORE.**—In Mysore, every dealer has to pay on his taxable turnover tax at 3 per cent, in the case of articles of gold and silver tax being 2 percent and in the case of Gur, Pulses, Wheat, Bread, Paddy, Rice Ragi, Jola, Maize, Bajra, Navane, Samey, Turmeric, Gunny bags and Hassian tax being  $1\frac{1}{2}$  per cent. In respect of goods in Second Schedule, sales by first dealer is taxable at specified rate on the taxable turnover. In respect of goods in Third Schedule purchase tax is levied at specified point viz., purchase by last dealer or purchase by first-dealer at specified rates. In the case of sale of goods in the Second Schedule to a registered dealer for use as component parts etc., rate of tax is 2 per cent if the sale is against a certificate. Mysore State also provides for no composition of tax liability at the option of the dealers.

**ORISSA.**—In Orissa, there is a system of purchase tax payable exclusively on certain goods and on such goods sales tax is not payable. Tax is payable on taxable turnover at last stage at rates not exceeding 7 per cent on ordinary goods and not exceeding 13 per cent on luxury goods.

**RAJASTHAN.**—Rajasthan Act provides for tax payable at such single point as may be prescribed. Government has power to notify reduced rates of tax payable on sale to or purchase by any exporter on notified goods subject to conditions and restrictions as may be prescribed. There is a specific provision for tax on sale of live stock. Purchase tax is levied under certain circumstances in which sales tax is not payable. Rate of tax on raw materials for manufacturers, in the State, on goods for sale within the State or in the course of inter State trade is 1 per cent. There is a provision for lump-sum payment subject to conditions in respect of specified class of goods by dealers.

**UTTAR PRADESH.**—In Uttar Pradesh purchase tax is levied at first purchase (1) at a rate not exceeding 2 per cent in the case of foodgrains including cereals and pulses and (2) at a rate not exceeding 5 per cent on other goods as may be notified. If purchase tax is levied, no sales tax is levied. In respect of notified goods tax is levied at such single point as may be specified and at the rates specified.

**WEST BENGAL.**—In West Bengal, tax is levied at single point at last stage under the *Bengal Finance (Sales Tax) Act, 1941*. Further tax on notified commodities is levied at single point first stage, under the *West Bengal Sales Tax Act, 1954*.

## APPENDIX F

( Para 5.21 )

*Existing turnover limits in various States*

1. **ANDHRA PRADESH (Sec.5).**—There are no different turnover limits separately prescribed for manufacturer, importer and resellers. Liability to pay tax arises as under :—

- (i) Every dealer whose total turnover for a year is not less than Rs. 10,000.
- (ii) Agent of a non-resident dealer whatever be his turnover for the year.
- (iii) Every casual trader whatever be his turnover for the year.

2. **ASSAM (Sec.3).**—There are no different turnover limits separately prescribed for manufacturer, importer and resellers. Liability to pay tax arises as under ;—

- (i) Every dealer whose total turnover of sales.....amounts to or exceeds Rs. 12,000.

3. **BIHAR (Sec.3).**—There are no different turnover limits separately prescribed for manufacturer importer and resellers. Liability to pay tax arises as under :—

- (i) Every dealer shall pay General Sales Tax if his gross turnover during a period not exceeding 12 months.....exceeds Rs. 5,000 and both General Sales Tax and Special Sales Tax if his gross turnover exceeds Rs. 15,000.

4. **GUJARAT (Sec. 3).**—Gross turnover of all sales or of all purchases

(a) <i>Importer</i>	(b) <i>Manufacturer</i>	(c) <i>Reseller</i>
Rs. 20,000 provided that	Rs. 20,000 provided that	Rs. 30,000 provided that
(a) value of taxable goods sold or purchased Rs. 2,500.	(a) value of taxable goods sold or purchased Rs. 4,000.	(a) value of taxable goods sold or purchased Rs. 2,500.
(b) value of imports Rs. 2,500	(b) value of manufactured goods Rs. 4,000.	

5. **KERALA (Sec. 5).**—There are no different turnover limits separately prescribed for manufacturer, importer and resellers. Liability to pay tax arises as under:—

- (i) Every casual traders.
- (ii) Agent of non-resident dealers.
- (iii) Every other dealer whose total turnover is not less than Rs. 10,000.
- (iv) Every dealer whose turnover for year in respect of goods in First and Second Schedule Rs. 2,500.

6. **MADHYA PRADESH (Sec. 4).**

(a) <i>Importer</i>	(b) <i>Manufacturer</i>	(c) <i>Co-operative Societies</i>	(d) <i>Reseller</i>
(a) Rs. 5,000	(b) Rs. 5,000	(c) Co-operative societies dealing exclusively in goods produced or manufactured by such society etc. Rs. 25,000.	(d) Rs. 15,000

7. **MADRAS (Sec. 3).**—There are no different turnover limits separately prescribed for manufacturer, importer and resellers. Liability to pay tax arises as under :—

- (i) Every casual trader whatever be his turnover.
- (ii) Agent of non-resident dealer whatever be his turnover.
- (iii) Every other dealer whose total turnover is not less than Rs. 10,000.
- (iv) In respect of goods in first schedule tax is payable by a dealer on the turnover whatever the quantum of turnover.

## 8. MAHARASHTRA (Sec. 3).—

(a) *Importer*

Rs. 10,000—

(b) *Manufacturer*

Rs. 10,000

(c) *Reseller*

Rs. 30,000

Provided that

(a) value of taxable goods sold or purchased Rs. 2,500.

(b) Value of imports Rs. 2,500 (b) Value of manufactured goods Rs. 2,500.

9. MYSORE (Sec.5).—There are no different turnover limits separately prescribed for manufacturer, importer and resellers. Liability to pay tax arises as under :—

(i) A dealer whose total turnover is less than Rs. 10,000 shall not be liable to pay tax.

10. ORISSA (Sec.4).—There are no different turnover limits separately prescribed for manufacturer, importer and resellers. Liability to pay tax arises as under :—

(i) Every dealer whose gross turnover exceeds Rs. 10,000.

Sec. 4(A).—For a casual dealer no turnover limit but liable to pay tax under this Act on the Sales and Purchases made by him.

## 11. PUNJAB (Sec. 4).—

(a) *Importer*NIL  
(i.e. whatever be the quantum of turnover).(b) *Manufacturer*(i) Dealer who runs Tan-  
door, Loh, Dhaba, Hotel,  
Restaurant, Halwaishop,  
Bakery etc. Rs. 25,000.(ii) Who himself is a manu-  
facturer. Rs. 10,000.(c) *Reseller*(i) Any particular class  
of dealer such sum  
may be prescribed.(ii) Any other dealer.  
Rs. 40,000.

12. RAJASTHAN (Sec. 3).—Every casual trader whatever be the quantum of turnover.

(i) Co-operative societies dealing exclusively in goods manu-  
factured by them.—Rs. 25,000. Rs. 15,000(ii) Limit of manufacturer of specific class of goods shall be such  
not exceeding Rs. 10,000 as notified.Importer or manufacturer of goods other than cooked food.  
Rs. 5,000.

Sec. 3(3)(i).—A casual trader and sec. 3(3)(ii) any other dealer in goods notified for the purpose of clause (ccc) of Sec. 2-any turnover.

13. UTTAR PRADESH (Sec. 3).—There are no different turnover limits separately prescribed for manufacturer, importer and resellers. Liability to pay tax arises as under :—

(i) Dealer shall not be liable if its turnover for the year is less than Rs. 12,000 or such larger amount as may be notified.

## 14. WEST BENGAL (Sec. 4).—

(a) *Importer*(b) *Manufacturer*(c) *Reseller*

(d) .....

Gross turnover of all sales Rs. 10,000 Gross turnover of sales Rs. 10,000 Gross turnover of sales Rs. 50,000 If there is any appreciable evasion in respect of any goods then by notifying such goods importer or manufacturer thereof would be liable to pay tax on all sales of such notified goods.

## APPENDIX G

( Para 8-06 )

## FORM OF LICENCE

*Licence under section (23) of the Bombay Sales Tax Act, 1959**Licence No..... District.....*

This Licence is hereby granted under *section (23)* of the *Bombay Sales Tax Act, 1959* (Bom. LI of 1959) (hereinafter referred to as "the Act") and subject to the provisions of the Act and the rules, regulations and orders made thereunder and also to the conditions specified hereinto (name of the Registered dealer)..... ( hereinafter called the said Licenced dealer) who is Registered dealer holding a certificate of Registration number.....dated..... and having the only place/chief place of business and additional place/places of business at the addresses specified below :—

(State here the number of room/flat, if any, the name of the building, if any, the name of the locality or road, if any, ward number, if any, name of village, town or city, Post Office and Taluka in respect of each place of business.)

**Conditions**

1. This Licence shall be effective from the .....day of..... 19 .
2. The said Licensed dealer is authorised to purchase the goods on furnishing a certificate under section 11 or 12 of the Act only when he purchases the goods as a Licensed dealer.
3. All certificates under section 11 or 12 of the Act furnished by the said Licensed dealer shall be in the form prescribed therefor in the *Bombay Sales Tax Rules, 1959* ( hereinafter called the said rules ) and shall be serially numbered in the chronological order of issue and the said Licensed dealer shall keep mechanically duplicated copies or carbon copies of such certificate duly signed and dated and if so required by the Commissioner or assessing authority produce before him such copies.
4. The said Licensed dealer shall maintain in respect of goods purchased by him on furnishing a certificate in form *14* appended to the said rules, registers in form *10* and *11* appended to the said rules.
5. If the said Licensed dealer nominate any person to sign a certificate on his behalf, he shall forthwith enter the name of such person in the statement appended thereto.
6. The said Licensed dealer as well as every person so nominated shall enter in the statement hereto the specimen of his signature which he intends to use while signing a certificate and the specimen signature of the person nominated shall be attested by the said Licensed dealer.
7. Whenever the said Licensed dealer purchases any goods from any dealer under this Licence, he or the person nominated by him to sign certificate on his behalf shall, if so required by the dealer, produce this Licence before such dealer.
8. The said Licensed dealer shall in the event of the death or the insolvency of the surety furnished by the dealer before the dealer has paid the amount of tax (including penalty, if any ) payable by him in respect of the period ending on the last day of the year following the year in which the Licence was issued to him or before the expiry of a period of thirty-six months next following the date on which the Licence is granted to him, whichever is earlier, furnish a fresh surety for the remaining part of such period.
9. This Licence is liable to be suspended or cancelled in accordance with the provisions of the Act and rules made thereunder.

Seal

Place : .....

Signature .....

Date : .....

Designation .....

PART—I

[illegible]

## PART—II

Date of submission	Full name of the person nominated	Specimen signature of the person	Signature of the said Licensed dealer	Date of the cancellation of nomination
1				
2				
3				
4				
5				

## PART—III

Date of suspension	Period of suspension	Date of cancellation	Signature of the Sales Tax Officer

## APPENDIX H

( Para 8.06 )

( See rule..... )

## FORM OF RECOGNITION

Recognition under Section 25 of the *Bombay Sales Tax Act, 1959.*

Recognition No.....District.....

This Recognition is hereby granted under section 25 of the *Bombay Sales Tax, 1959 (Bom. LI of 1959)* ( herein after referred to as "the Act") and subject to the provisions of the Act and the rules, regulations and orders made thereunder and also to the conditions specified hereinto ( name of the Registered dealer ).....  
 .....( hereinafter called "the said Recognised dealer") who is Registered dealer holding a certificate of Registration No.....  
 dated.....and having the only place/chief place of business and additional place/places of business at the address specified below :—

( State here the number of room/flat,.....if any, the name of the building, if any, the name of the locality or road, if any, Ward No., if any. Name of the villages, town or city, Post Office and Taluka in respect of each place of business).

## Conditions

1. This Recognition shall be effective from the.....day of.....  
 19

2. The said Recognised dealer is authorised to purchase goods (other than prohibited goods *e.g.* those described at entries 1 to 12, 13(7), 14 to 31 of part I of schedule 'B' or at entries 1 to 11 of part II of schedule 'B' or at entries 1 to 2 of schedule 'C' to the Act or those which the State Government may from time to time by notification in the Official Gazette specify on furnishing a certificate under section 12 of the Act only when he purchases the goods as Recognised dealer.

3. All certificates under section 12 of the Act furnished by the said Recognised dealer shall be in the form prescribed therefor in the *Bombay Sales Tax Rules, 1959* ( hereinafter called the said rules ) and shall be serially numbered in the chronological order of issue and the said Recognised dealer shall keep mechanically duplicated copies or carbon copies of such certificate duly signed and dated and if so required by the Commissioner or the assessing authority produce before him such copies.

4. If the said Recognised dealer nominates any person to sign a certificate on his behalf, he shall forthwith enter the name of such person in the statement appended hereto.

5. The said Recognised dealer as well as every person so nominated shall enter in the statement hereto the specimen of his signature which he intends to use while signing a certificate and the specimen signature of the person nominated shall be attested by the said Recognised dealer.

6. Wherever the said Recognised dealer purchases any goods from any dealer under this Recognition, he or the person nominated by him to sign certificate on his behalf shall if so required by the dealer, produce this Recognition before such dealer.

7. This Recognition is liable to be suspended or cancelled in accordance with the provisions of the Act and the rules made thereunder.



Place :.....

Signature.....

Dated.....

Designation.....

# TATEMENT

## PART—I

*Specimen of Signature of the said Recognised Dealer*

[illegible]

## PART—II

*Persons nominated by the said Recognised Dealer*

Date of nomination	Full name of the person nominated	Specimen signature of the person	Signature of the said Recognised dealer	Date of cancellation of nomination
1				
2				
3				
4				
5				
6				
7				

## PART—III

Particulars about the Suspension/Cancellation of Recognition under section 28

Date of suspension	Period of suspension	Date of cancellation	Signature of the Sales Tax Officer

## APPENDIX I

( Para 8.09 )

**Certificate**

To be issued by a selling Commission Agent to the Principal for sales of the goods of the Principal so as to enable the Principal for claiming deduction under section 16(2) of the Bombay Sales Tax Act, 1959.

This is to certify that I/We.....holding Registration Certificate No.....acted as a bonafide selling Commission Agent on behalf of Shri/Messrs.....holder of Registration Certificate No.....and that the sales of the goods mentioned in the above Ankada ( Statement of sales ) have been included in the return furnished by me/us for the relevant period and the tax payable, if any, thereon has been paid by me/us into the Government Treasury. It is further certified none of the goods covered by the said Ankada have been consigned by me/us to any place outside the State of Gujarat.

Place : .....

Signature.....

Date : .....

Status.....

*N. B.*—This certificate shall be given on the each relevant statement of sales ( Ankada ) sent by the selling Commission Agent to the Principal.





APPENDIX J

( Para 8.09 )

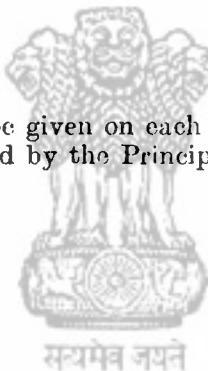
**Certificate**

To be given by the Principal to the Selling Commission Agent so as to enable the said agent to claim deduction permissible under the Act in respect of the sales of the goods received from the Principal.

This is to certify that I/We.....are holder of Registration Certificate No.....and Licence No.....dated.....and the goods covered by my/our above instruction note/despatch note have been purchased by me/us in the following manner :—

Source of purchases			Value of goods
			Rs.
(a) Registered dealers	..	..	..
(b) Unregistered dealers	..	..	..
(c) Other than (a) and (b) above.	..	..	..
Place :	.....	Signature.....	
Date :	.....	Status :.....	

**N. B.**—This certificate shall be given on each relevant instruction note/despatch note in respect of goods despatched by the Principal to his selling Commission agent for sale.



## APPENDIX K

( Para 8.09 )

**Certificate**

To be given by the buying Commission Agent to the Principal to enable the said Principal for claiming deduction permissible under the law in respect of the sales of the said goods.

This is to certify that I/we....., holder of Registration Certificate No....., Licence No....., dated....., and Permit No....., dated....., have acted as buying Commission Agent and the goods covered by my/our above instruction note/despatch note have been purchased by me/us in the following manner :—

Source of purchases	Value of goods Rs.
(a) Registered dealers ..	..
(b) Unregistered dealers ..	..
(c) Other than (a) and (b) above.	..

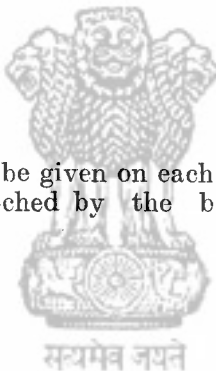
Place :.....

Signature :.....

Date :.....

Status :.....

N. B.— This certificate shall be given on each relevant instruction note/despatch note in respect of goods despatched by the buying Commission Agent to his Principal for sale.



## APPENDIX L

( Para 8.09 )

**Certificate**

To be issued by the Principal to the purchasing Commission Agent so as to enable the said Agent to comply with the requirements of purchases against his permit.

This is to certify that I/we....., holder of Registration Certificate No....., Licence No....., dated....., and Recognition No....., dated....., have disposed off the goods amounting to Rs....., as received during period from.....to..... from our buying Commission Agent Shri/Messers....., holder of Registration Certificate No....., and Permit No....., dated....., in accordance with the terms of the certificate in form No....., issued by the said buying Commission Agent in respect of the purchases of these goods.

Place : .....

Signature : .....

Date : .....

Status : .....

N. B.— This certificate shall be produced at the time of assessment by the buying Commission agent from each Principal covering all the transactions for the relevant period of assessment.



## APPENDIX M

( Para 8.13 )

**Form of Declaration**

I.....Proprietor/Partner/Director.....  
 ..... of M/s.....,  
 holding Registration Certificate No....., under the  
**Bombay Sales Tax Act, 1959**, do solemnly declare that the following statements are  
 true to the best of my knowledge and belief :—

(1) Period.....to.....

(2) Total gross turnover of sales.

(3) Total gross turnover of purchases.

(4) Total taxable sales on which tax is payable.

Turnover : Tax

(5) Total taxable purchases on which tax is payable.

.....	.....
.....	.....
.....	.....
.....	.....
.....	.....

(6) Total tax paid Rs.....

vide chalan No.....

dated .....

Place : .....

Signature.....

Date : .....

सत्यमेव जयते  
 Proprietor/Director/

Manager.....

## APPENDIX N

( Para 8.14 )

Registration Certificate No. ....

## RETURN OF TAX PAYABLE BY A DEALER UNDER THE BOMBAY SALES TAX, ACT 1959

( See Rule 22 of the Bombay Sales Tax Rules, 1959 )

( Subject to the provisions of Rule 22 separate return should be submitted to each Sales Tax Officer in whose jurisdiction a dealer has a place or places of business )

Return for the period from.....to.....Registration  
 Number of the dealer under the Central Sales Tax Act, 1956 (if the dealer is so  
 registered).....  
 Name of the dealer.....  
 Address of the dealer.....  
 Licence Number (if any).....  
 Recognition Number (if any).....  
 Permit Number (if any).....  
 Number and date of certificate (if any) granted under Section 41.....

## PART I

## Turnover of Sales

		Rs.	P.
(1) Total amount received or receivable for all sales made during the period		.....	
(2) Less (Please state below the nature of deductions or admissible types of deductions. Please see Statement I appended ).	Rs. P.		
(i) .....			
(ii) .....			
(iii) .....			
(iv) .....			
Total deduction (2) ..	.....		
(3) Net turnover of all sales ..	.....		

## PART II

Levy of sales tax under Section .....and.....

Rs. P.

- (4) (A) (1) Net turnover of sales of goods  
specified in part A of Schedule II  
and goods specified in Schedule III.

.....

Rs. P.

Deduct (Please State below the nature of  
deductions. For admissible types of  
deductions, please see Statement II  
appended).

- (i) .....  
(ii) .....  
(iii) .....  
(iv) .....

(A) (II) Balance in item 4 (A) (I) .....

Add.—Net turnover of sales specified  
in Section II

.....

(B) Balance liable to sales tax

.....

(5) Calculation of sales tax payable :

Classification of taxable sales (Item 4 (B) ) according to the rate of sales tax payable	Total sales	Deduction under rule 46-A	Balance	Amount of sales tax
	Rs. P.	Rs. P.	Rs. P.	Rs. P.
<i>Rates of Sales Tax :</i>				
One fourth of one per cent ..				
Three paise in the rupee ..				
Four do. ..				
Five do. ..				
Seven do. ..				
Ten do. ..				
Twelve do. ..				
Fifteen do. ..				
Thirty do. ..				
Forty-five do. ..				
Total ..				

(6) Total sales tax payable .....

## PART III

Levy of general sales tax under Section \_\_\_\_\_ and \_\_\_\_\_

Rs. P.

- (7) (A) Net turnover of sales of goods specified in part B of Schedule II and Schedule III

.....

*Deduct* : (Please state below the nature of deductions. For admissible types of deductions, please see Statement III appended )

Rs. P.

- (i) .....  
 (ii) .....  
 (iii) .....  
 (iv) .....

(B) Balance liable to general sales tax

.....

- (8) Calculation of general sales tax payable :

Classification of taxable sales [ Item 7(B) ] according to the rate of general sales tax payable	Total sales	Deduction under rule 46-A	Balance	Amount of general sales tax payable
	Rs. P.	Rs. P.	Rs. P.	Rs. P.
<i>Rate of General Sales Tax :</i>				
One fourth of one per cent				
Three paise in the rupee				
Five paise in the rupee				
Total ..				

- (9) Total general sales tax payable ;

## PART IV

Levy of purchase tax under Section 13 or 14 or 15

Details of purchases :

Rs. P.

- (10) Total amount paid or payable for all purchases made during the period

.....

Rs. P.

- (11) *Less* : (Please state below the nature of deductions. For admissible types of deductions, please see Statement IV appended)

- (i) .....  
 (ii) .....  
 (iii) .....  
 (iv) .....

Total of (11) .. ..

(12) *Net purchases :*

	Rs. P.	Rs. P.
(i) Purchases of goods declared tax free under Section 5.	.....	.....
(ii) Purchases of goods from registered dealers.	.....	
(iii) Purchases of goods exempted under notification under Section 41.	.....	
(iv) Purchases (imports) of goods not liable to tax under Section 75	.....	
(v) Balance <i>i. e.</i> purchases of goods from unregistered dealers.		.....

(13) (A) *Levy of purchase tax under Section 13 :*

(a) Of balance of goods purchased from unregistered dealers, goods used or meant for use for resale.	.....	.....
(b) Turnover relating to goods purchased from unregistered dealers used in the manufacture of goods or in the packing of goods.	.....	.....
(c) Turnover relating to goods purchased from unregistered dealers transported to places in India outside the State of Gujarat otherwise than as a result of resale thereof in the course of inter-State trade or commerce or in the course of export of the goods outside India.	.....	.....

(14) Total purchases liable to purchase tax *i. e.* (b+c)

.....

(15) (B) *Levy of purchase tax under section 14 :*

(i) In previous periods, the conditions of the certificates given under those sections not being wholly fulfilled but the time specified for fulfilling them not having expired.	.....	.....
(ii) Made during the period from..... to.....	.....	.....

Total of (i) and (ii) ..

\_\_\_\_\_  
\_\_\_\_\_

## (16) (i) Value of goods sold wholly in compliance with the terms of certificates given under sections 11 and 12.

.....

(ii) Value of goods not yet sold in compliance with the terms of such certificates but where the period for which compliance has not expired by the end of the period under return.

.....

Total of (i) and (ii) ..

\_\_\_\_\_  
\_\_\_\_\_



	Rs. P.	Rs. P.
(17) Balance of value of purchases under Section 11 and 12 on which purchase tax under Section 14 is leviable.	.....	.....
(C) <i>Levy of purchase tax under Section 14-B, 14-C or 15</i>		
(18) Aggregate purchase price leviable to purchase tax under Section 14-B.	.....	
(19) Aggregate purchase price leviable to purchase tax under Section 14-C.	.....	
(20) Aggregate purchase price leviable to purchase tax under Section 15.	.....	
(21) Aggregate purchase price leviable to purchase tax under Sections 13, 14, 14-B, 14-C and 15 (total of items 14, 17, 18, 19, 20 ).		.....
(22) Calculation of purchase tax payable under Sections 13, 14, 14-B, 14-C and 15.	.....	.....

Classification of taxable purchases [Item (21) according to the rate of purchase tax payable]		Amount of purchase tax payable
Rate of purchase tax	Total purchases	
One-fourth of one percent	..	
One-half of one percent	..	
Three paise in the Rupee	..	
Four paise in the Rupee	..	
Five paise in the Rupee	..	
Seven paise in the Rupee	..	
Eight paise in the Rupee	..	
Ten paise in the Rupee	..	
Thirteen paise in the Rupee	..	
Fifteen paise in the Rupee	..	
Thirty paise in the Rupee	..	
Forty-five paise in the Rupee	..	
( Such other rates) as is/are leviable as per the provisions of the Law ).	..	

	Rs. P.	Rs. P.
(23) Gross purchase tax payable .. ..	.....	.....
(24) Less remission admissible under Rules 44 and 44-A.	.....	.....
(25) Less set off under proviso to section 14 (1)	.....	.....
(26) Net purchase tax payable .. ..	.....	.....

## PART V

	Rs.	P.
(27) (i) Amount of sales tax payable as per item 6 (Part II).	.....	.....
(ii) Amount of general sales tax payable as per item 9 (Part III).	.....	.....
(iii) Amount of purchase tax payable as per item 23 (Part IV).	.....	.....
Total ..	-----	-----

(28) Less :—

Set off admissible by the following rules :—

- (i) .....  
(ii) .....  
(iii) .....  
(iv) .....

Total set off admissible ..

(29) Net amount payable as tax (item 27-28)	.....	.....
(30) Amount of penalty payable under Section 36	.....	.....
(31) Total amount payable .. ..	.....	.....
(32) Amount, if any, credited by refund adjustment order.	.....	.....
(33) Net amount payable	-----	-----
(34) Amount previously paid	-----	-----

Date of declaration	Chalan No.	Date	Amount
1			
2			
3			
Total ..	-----	-----	-----

Balance payable .....

(35) Paid under Chalan No. ....dated.....

I, Shri.....  
of M/s.....do solemnly  
declare that the above statements are true to the best of my knowledge and belief.

Place .....

Signature.....

Dated .....

Proprietor/Director/Manager etc.

## STATEMENT I

Types of deductions admissible from turnover of sales to arrive at net turnover of all sales :—

- (i) Cost of insurance for transit or installation when separately charged to the purchaser.
- (ii) Value of the goods returned within the period prescribed under rule 4.
- (iii) Amount of sales falling under proviso to sub-sections (1), (2) and (3) of section 3.
- (iv) Sales of goods declared tax free under section 5.
- (v) Sales not liable to tax under section 75.
- (vi) Sales or resales of declared goods specified in Part I and Part II of Schedule B, falling under section 7 (3).
- (vii) Turnover of sales specified in section 11.

## STATEMENT II

Types of deductions admissible from turnover liable to Sales Tax to arrive at balance liable to Sales Tax :—

- (i) Sales of goods on the purchase of which, purchase tax is payable under section 13 or 14.
- (ii) Resale of goods purchased on or after the appointed day from a Registered dealer.
- (iii) Sales or resales falling under clause (iii) of section 8 or 10 (1).
- (iv) Sales wholly exempted from sales tax by notification under section 41 (Give Nos. and date).
- (v) Sales of goods not subject to sales tax as falling in rule No.— of these rules.

## STATEMENT III

Types of deductions admissible from turnover liable to General Sales Tax to arrive at balance liable to General Sales Tax :—

- (i) Sales of goods specified in Part II of Schedule B and Schedule C on the purchase of which purchase tax is payable under section 13 or 14.
- (ii) Resales falling under clause (ii) of section 7 (2) and 9.
- (iii) Resales falling under clause (i) of section 10 (2).
- (iv) Sales or resales falling under clause (iii) of section 9 or clause (ii) of section 10 (2).
- (v) Sales of goods not subject to general sales tax as falling under the following rules.
- (vi) Sales wholly exempted from general sales tax by notification under section 41 (Give Nos. and date).

## STATEMENT IV

- (i) Cost of insurance on transit or installation when separately charged by the seller.
- (ii) Value of goods returned within the period prescribed under rule 4.
- (iii) Purchases falling under the proviso to sub-section (1), (2), (3) of section 3.

## STATEMENT V

(1) Monthly return of turnover of sales and purchases has to be filed and monthly payment of tax has to be made for a period of twelve months by a dealer who obtains for the first time a licence, recognition or permit.

(2) Annual return has to be filed by a dealer whose turnover of all sales or purchases during the previous or current year does not exceed Rs. 1 lakh and who does not hold a Licence. Such dealer who is liable to file annual return has to file quarterly declaration in form No. M and to make quarterly payment of tax payable as per declaration. At the end of the year such a dealer has to file the annual return showing the turnover of sales and purchases of the entire year.

(3) Quarterly return and quarterly payment has to be made by all other dealers.

(4) Payment can be made at the Treasury (or in the branch of State Bank which functions as a treasury) in cash or by cheque or by crossed postal order issued in favour of Treasury Officer. Where payment as per return or declaration is of an amount less than Rs. 100 such payment can also be made at the office of Sales Tax Officer either by a crossed cheque or crossed postal order issued in the favour of the Sales Tax Officer.



## APPENDIX O

(Para 11.05)

*Chart showing the organizational pattern that emerges from the Recommendations*

State level jurisdiction	Divisional level jurisdiction	Range level jurisdiction	District level jurisdiction
Commissioner's Office 1	Deputy Commissioner of Sales Tax 2	Assistant Commissioner of Sales Tax 3	Sales Tax Officers 4
<p>Range II</p>			
1. Commissioner of Sales Tax ( Head of the Department ).	Ahmedabad Division, Ahmedabad	1. Assistant Commissioner of Sales Tax. Range II, Ahmedabad City for Registration, Return and Enforcement.	1. Sales Tax Officer. Registration and Return Branch, Ahmedabad.
1. Deputy Commissioner of Sales Tax (Legal).	1. Deputy Commissioner of Sales Tax, Ahmedabad Division Ahmedabad.	2. Assistant Commissioner of Sales Tax, Range II, Ahmedabad City for assessment and recovery.	2. Sales Tax Officer, Recovery and Records Branch, Ahmedabad.
2. Deputy Commissioner of Sales Tax (Administration).	1. Sales Tax Officer as Personal Assistant (Establishment).	3. Assistant Commissioner of Sales Tax. Range II, Ahmedabad City for Appeals.	3. Sales Tax Officer, Enforcement Branch. Division, I, Ahmedabad.
1. Assistant Commissioner of Sales Tax (Inspection).	2. Sales Tax Officer as Personal Assistant (Administration).		4. Sales Tax Officer, Enforcement Branch. Division. II, Ahmedabad.
2. Assistant Commissioner of Sales Tax as Director of Vigilance.	3. Sales Tax Officer as Public Relation Officer.		5. Sales Tax Officer, Enforcement Branch. Division III, Ahmedabad.
3. Assistant Commissioner of Sales Tax as Principal Training School.	1. Mamlatdar for recovery work.		6. Sales Tax Officer, City Division I, Ahmedabad.
4. Assistant Commissioner of Sales Tax as Government Agent I.			7. Sales Tax Officer, City Division II, Ahmedabad.
			8. Sales Tax Officer, City Division III, Ahmedabad.
			9. Sales Tax Officer, City Division IV, Ahmedabad.
			10. Sales Tax Officer, City Division V, Ahmedabad.
<p>Range IV</p>			
5. Assistant Commissioner of Sales Tax as Government Agent II.		1. Assistant Commissioner of Sales Tax. (Administration), Range IV, Ahmedabad.	1. Sales Tax Officer, Ahmedabad District Division I, Ahmedabad.
6. Assistant Commissioner of Sales Tax as Government Agent III.		2. Assistant Commissioner of Sales Tax, (Appeals) Range IV, Ahmedabad.	2. Sales Tax Officer, Ahmedabad District Division II, Ahmedabad.
			3. Sales Tax Officer, Nadiad.

State level jurisdiction	Divisional level jurisdiction	Range level jurisdiction	District level jurisdiction
Commissioner's Office	Deputy Commissioners of Sales Tax	Assistant Commissioner of Sales Tax	Sales Tax Officers
1	2	3	4
7. Assistant Commissioner of Sales Tax as Government Agent IV.			4. Sales Tax Officer, Anand.
1. Sales Tax Officer as Establishment Officer.			5. Sales Tax Officer, Petlad.
2. Sales Tax Officer as Personal Assistant (Legal).			6. Sales Tax Officer, Cambay.
			7. Sales Tax Officer, Himatnagar.
			8. Sales Tax Officer, Prantij.
			9. Sales Tax Officer, Mehsana.
			10. Sales Tax Officer, Vianagar.
			11. Sales Tax Officer, Patan.
			12. Sales Tax Officer, Palanpur.
	(2)	Range I	
3. Sales Tax Officer as Personal Assistant (Administration).	Rajkot Division, Rajkot	1. Assistant Commissioner of Sales Tax. (Administration) Range I, Rajkot.	1. Sales Tax Officer, Enforcement Branch, Rajkot.
4. Sales Tax Officer as Public Relation Officer.	1. Deputy Commissioner of Sales Tax, Rajkot Division, Rajkot.	2. Assistant Commissioner of Sales Tax (Appeals), Range I, Rajkot.	2. Sales Tax Officer, Division I, Rajkot.
5. Sales Tax Officer as Lecturer in Training School.	1. Sales Tax Officer as Personal Assistant (Establishment).		3. Sales Tax Officer, Division II, Rajkot.
6. Sales Tax Officer as Lecturer in Training School.	2. Sales Tax Officer as Personal Assistant (Administration).		4. Sales Tax Officer, Morvi.
7. Sales Tax Officer as Lecturer in Training School.	3. Sales Tax Officer as Public Relation Officer.		5. Sales Tax Officer, Jetpur.
1. Deputy Collector for Sales Tax Recovery.	1. Mamlatdar for recovery work.	Range VI	6. Sales Tax Officer, Enforcement Branch, Jamnagar.
1. Statistical Officer.			7. Sales Tax Officer, Division I, Jamnagar.
1. Research Unit. *			8. Sales Tax Officer, Division II, Jamnagar.
			9. Sales Tax Officer, Bhuj.
			1. Sales Tax Officer, Enforcement Branch, Bhavnagar.
			2. Sales Tax Officer, Division I, Bhavnagar.
			3. Sales Tax Officer, Division II, Bhavnagar.
			4. Sales Tax Officer, Savarkundla.
			5. Sales Tax Officer, Surendranagar.
			6. Sales Tax Officer, Junagadh.
			7. Sales Tax Officer, Veraval.
			8. Sales Tax Officer, Porbandar.
			9. Sales Tax Officer, Amreli.

## Range III

(3)

## Baroda Division, Baroda

1. Deputy Commissioner of Sales Tax, Baroda Division, Baroda.
1. Sales Tax Officer as Personal Assistant (Establishment).

1. Assistant Commissioner of Sales Tax, (Administration), Range III, Baroda.
2. Assistant Commissioner of Sales Tax, (Appeals) Range III, Baroda.

1. Sales Tax Officer, Enforcement Branch, Baroda.
2. Sales Tax Officer, City and District, Division I, Baroda.
3. Sales Tax Officer, City and District Division II, Baroda.
4. Sales Tax Officer, Broach.
5. Sales Tax Officer, Godhra.

## Range V

2. Sales Tax Officer as Personal Assistant (Administration).
3. Sales Tax Officer as Public Relation Officer.
- 1 Mamlatdar for Recovery work.

1. Assistant Commissioner of Sales Tax, (Administration) Range V, Surat.
2. Assistant Commissioner of Sales Tax, (Appeals) Range, V, Surat.

1. Sales Tax Officer, Enforcement Branch, Surat.
2. Sales Tax Officer, Registration and Return Branch, Surat.
3. Sales Tax Officer, City and District Division I, Surat.
4. Sales Tax Officer, City and District Division II, Surat.
5. Sales Tax Officer, City and District Division, III, Surat.
6. Sales Tax Officer, Navsari.
7. Sales Tax Officer, Bulsar.

\* Research Unit :—May be set up in the office of the Commissioner of Sales Tax or in the Finance Department.



सत्यमेव जयते



## INDEX

Sr. No.	DESCRIPTION	PARA No.	PAGE
CHAPTER I			
1	Appointment of the Committee .. .. .	1.01	1
2	Constitution .. .. .	1.02	1
3	Terms of Reference .. .. .	1.03	1
4	Scope of Inquiry .. .. .	1.04	2
5	Government Resolutions .. .. .	1.05	2
6	Duration of the Inquiry .. .. .	1.06	2
7	The questionnaire .. .. .	1.07	2
8	Replics to the questionnaire .. .. .	1.08	2
9	Visits and Discussions .. .. .	1.09	2
10	Meetings of the committee .. .. .	1.10	2
11	Plan of the Report .. .. .	1.11	3
12	Acknowledgements .. .. .	1.12	3
CHAPTER II			
1	Component parts of Gujarat .. .. .	2.01	5
2	System in districts of old Bombay State .. .. .	2.02	5
3	System in districts of old Saurashtra State .. .. .	2.03	6
4	System in Kutch district of the old Kutch State .. .. .	2.04	6
5	Changes in the Bombay State after 1956 .. .. .	2.05	6
6	Sales Tax Inquiry Committee (1957-58) .. .. .	2.06	6
7	The Bombay Sales Tax, Act, 1959 .. .. .	2.07	7
8	Changes after the formation of Gujarat State .. .. .	2.08	7
9	The present system .. .. .	2.09	7
10	Scheme of the Act .. .. .	2.10	7
11	Limits of liability .. .. .	2.11	8
12	Licensing and documents .. .. .	2.12	8
13	Registration and returns .. .. .	2.13	8
14	Assessment .. .. .	2.14	8
15	Appeals and revisions .. .. .	2.15	9
16	Penalties and prosecution .. .. .	2.16	9
17	Rates of tax .. .. .	2.17	9
18	Procedure and rules .. .. .	2.18	9
CHAPTER III			
1	Economic data .. .. .	3.01	10
2	Human Resources .. .. .	3.02	10
3	Natural Resources .. .. .	3.03	10
4	Industries .. .. .	3.04	11
5	Small, Cottage and Household Industries .. .. .	3.05	11

Sr. No.	DESCRIPTION	PARA No.	PAGE
6	Power .. .. .	3.06	11
7	Transport and Communications .. .. .	3.07	11
8	Trade and Commerce .. .. .	3.08	11
9	Census Houses .. .. .	3.09	11
10	Consumer Expenditure .. .. .	3.10	11
11	State Income .. .. .	3.11	12
12	Emerging fiscal pattern .. .. .	3.12	12
13	Third Five year plan ... .. .	3.13	12
14	Receipts and Expenditure .. .. .	3.14	13
15	Receipts from the centre .. .. .	3.15	13
16	Fifth Finance Commission .. .. .	3.16	14
17	Receipts from State taxes .. .. .	3.17	15
18	Trends of tax revenues in the States in India .. .. .	3.18	15
19	Trends in Gujarat — — — .. .. .	3.19	15
20	Per capita Sales Tax — — — .. .. .	3.20	16
21	Appraisal — — — .. .. .	3.21	16
<b>CHAPTER IV</b>			
1	Aims of the present system .. .. .	4.01	18
2	Uniformity of application and incidence .. .. .	4.02	18
3	Simplifications — — — .. .. .	4.03	18
4	Simplicity in the Statute — — — .. .. .	4.04	18
5	Simplicity in the system .. .. .	4.05	19
6	Simplification of the procedure .. .. .	4.06	19
7	Prevention of evasion — — — .. .. .	4.07	20
8	Impact on dealers — — — .. .. .	4.08	21
9	Registered dealers and documents holders .. .. .	4.09	21
10	Dealers according to turnover groups — — — .. .. .	4.10	21
11	Reasons for growth — — — .. .. .	4.11	22
12	Assessment — — — .. .. .	4.12	22
13	Appeals — — — .. .. .	4.13	22
14	Collection — — — .. .. .	4.14	22
15	Outstanding recoveries — — — .. .. .	4.15	23
16	Enforcement and vigilance — — — .. .. .	4.16	23
17	Observations of the working .. .. .	4.17	23
<b>CHAPTER V</b>			
1	Development of systems in India — — — .. .. .	5.01	25
2	Changes after Taxation Inquiry Commission — — — .. .. .	5.02	25
3	Principal systems of Sales Tax .. .. .	5.03	25
4	System—a process of evolution and design — — — .. .. .	5.04	26
5	System as an instrument of policy — — — .. .. .	5.05	26

Sr. No.	DESCRIPTION	PARA No.	PAGE
6	Principles underlying a system .. .. .	5.06	26
7	Built-in responsiveness .. .. .	5.07	26
8	Built-in safeguards against evasion .. .. .	5.08	26
9	Representation on system .. .. .	5.09	27
10	Multi-point system discarded .. .. .	5.10	27
11	State of levy in a single point system .. .. .	5.11	27
12	Retailer's stage sales tax .. .. .	5.12	27
13	Manufacturer's stage sales tax .. .. .	5.13	27
14	Wholesaler's stage .. .. .	5.14	27
15	Selection of goods for levy at the first stage .. .. .	5.15	28
16	Selection of goods for levy at the last stage .. .. .	5.16	28
17	Selection of goods for two-point levy .. .. .	5.17	28
18	Disadvantages of purely single point system .. .. .	5.18	28
19	Retail Sales Tax .. .. .	5.19	29
20	Purchase Tax .. .. .	5.20	30
21	Turnover limit .. .. .	5.21	31
22	Documents .. .. .	5.22	33
23	Recognition system .. .. .	5.23	34
24	Commission Agent .. .. .	5.24	34
25	Selection of the system .. .. .	5.25	35
<b>CHAPTER VI</b>			
1	Special Problems .. .. .	6.01	36
2	Definitions .. .. .	6.02	36
3	Manufacture .. .. .	6.03	36
4	Sale price .. .. .	6.04	37
5	Casual sales .. .. .	6.05	37
6	Consignment .. .. .	6.06	38
7	Controlled commodities .. .. .	6.07	38
8	Works contract .. .. .	6.08	39
9	Additional Excise duty in lieu of Sales Tax .. .. .	6.09	39
10	Sales Tax in lieu of octroi .. .. .	6.10	40
11	Industrial Policy .. .. .	6.11	40
12	Export promotion .. .. .	6.12	41
13	Cotton textiles .. .. .	6.13	42
14	Art Silk Industry .. .. .	6.14	43
15	Sugar Industry .. .. .	6.15	44
16	Co-operative marketing and processing societies .. .. .	6.16	44
17	Solvent Extraction plants .. .. .	6.17	45
18	Machinery manufacturers .. .. .	6.18	45
19	Utensils manufacturers .. .. .	6.19	46

Sr. No.	DESCRIPTION	PARA No.	PAGE
20	Soap manufacturers	6.20	46
21	Khadi and Village Industries	6.21	46
22	Cottage Industries and handicrafts	6.22	47
23	Hand made shoes	6.23	48
24	Brick layers (by hand made Bhattha)	6.24	48
25	Silver ornaments	6.25	48
26	Hotels and Restaurants	6.26	49
27	Farsans	6.27	49
28	Bakery products	6.28	49
29	Zari	6.29	49
30	Akik	6.30	50
31	Precious stones	6.31	51
32	Synthetic stones	6.32	51
33	Embroidered Articles	6.33	52
34	Wool	6.34	53
35	Elastic tape	6.35	53
36	Contractors engaged in work contract	6.36	53
37	Dealers dealing in tax free goods	6.37	54
38	Special problems as clue to broad conclusions	6.38	54
CHAPTER VII			
1	Rationalisation of the structure	7.01	55
2	Schedules	7.02	55
3	Principles for exemptions	7.03	55
4	Removal of exemptions from the present schedule 'A'	7.04	56
5	Additional goods for exemptions	7.05	58
6	Redefining exemptions in Schedule A	7.06	58
7	Scope for exemptions under section 41	7.07	59
8	Reviewing exemptions under section 41	7.08	60
9	Reasons for recommendations	7.09	60
10	Schedules for taxable goods	7.10	62
11	Tax rates	7.11	62
12	Rationalisation of rates	7.12	63
13	Analysis of schedules	7.13	65
14	Harmonization of tax rates	7.14	65
15	Financial implications	7.15	69
16	Schedule I	..	70
17	Schedule II-Part A	..	73
18	Schedule II-Part B	..	80
19	Schedule III	..	81

Sr. No.	DESCRIPTION	PARA No.	PAGE
CHAPTER VIII			
1	Simplification of the procedure	8.01	82
2	Registration	8.02	82
3	Voluntary Registration	8.03	82
4	Delay in cancellation	8.04	82
5	Documents	8.05	83
6	Forms of documents	8.06	83
7	Conditions for grant of documents	8.07	84
8	Effective date of documents	8.08	85
9	Simplification of Forms	8.09	85
10	Changes in the Constitution of firms	8.10	87
11	Solvency certificate	8.11	87
12	Returns	8.12	87
13	Scheme of annual returns	8.13	87
14	Form of Return	8.14	88
15	Mode of Payment	8.15	88
16	Assessment	8.16	89
17	Present method of assessment	8.17	89
18	Simple manner of assessment	8.18	90
19	Reorientation in method of assessment for other dealers	8.19	92
20	Time limit for completion of assessments	8.20	93
21	Best judgment	8.21	93
22	Books of accounts	8.22	94
23	Appeals	8.23	94
24	Delay in disposal of appeals	8.24	95
25	Separation of appellate and administrative functions	8.25	95
26	Independence of judgment	8.26	96
27	Independent control	8.27	96
28	Consequential recommendations	8.28	97
29	Pre-payment in appeals	8.29	97
30	Non-appellable orders	8.30	98
31	Review	8.31	99
32	Sales Tax Tribunal	8.32	99
33	Sales Tax Practitioners	8.33	100
34	Board of Revenue	8.34	100
CHAPTER IX			
1	Hardship	9.01	101
2	Penalty	9.02	101
3	Prosecution	9.03	102
4	Composition	9.04	104
5	Recovery of dues	9.05	104
6	Refund	9.06	105
7	Set-off	9.07	105

SR. NO.	DESCRIPTION	PARA No.	PAGE
8	Enforcement of back-liability .. .. .	9.08	106
9	Equitable relief .. .. .	9.09	107
10	Improvement of relations .. .. .	9.10	107
11	Public Relation Officers .. .. .	9.11	107
12	Publicity .. .. .	9.12	109
13	Facilities and Amenities .. .. .	9.13	109
14	Advisory committee .. .. .	9.14	110
15	Other measures .. .. .	9.15	110
CHAPTER X			
1	Evasion of tax .. .. .	10.01	112
2	Avoidance of tax .. .. .	10.02	112
3	Causes of evasion .. .. .	10.03	112
4	Modes of corruption .. .. .	10.04	113
5	Method to check evasion .. .. .	10.05	114
6	Enforcement .. .. .	10.06	114
7	Vigilance .. .. .	10.07	115
8	Survey .. .. .	10.08	115
9	Machinery for enforcement, vigilance and survey .. .. .	10.09	116
10	Intelligence through various sources .. .. .	10.10	116
11	Search and seizure .. .. .	10.11	116
12	Delay in disposal of seized cases .. .. .	10.12	118
CHAPTER XI			
1	Administration .. .. .	11.01	119
2	Organisational pattern .. .. .	11.02	119
3	Changes in the set up in Commissioner's Office .. .. .	11.03	119
4	Organisation at the range level .. .. .	11.04	120
5	Reorganisation at the level of Sales Tax Officers .. .. .	11.05	120
6	Inspection .. .. .	11.06	121
7	Departmental Audit .. .. .	11.07	122
8	Audit by Accountant General .. .. .	11.08	122
9	Machinery for enforcement .. .. .	11.09	123
10	Survey .. .. .	11.10	124
11	Vigilance .. .. .	11.11	124
12	Recoveries .. .. .	11.12	124
13	Collection of statistics .. .. .	11.13	124
14	Research unit .. .. .	11.14	125
15	Quality of personnel .. .. .	11.15	126
16	Recruitment .. .. .	11.16	126
17	Pay scales .. .. .	11.17	126
18	Seniority and confirmation .. .. .	11.18	127
19	Housing facilities .. .. .	11.19	127
20	Training .. .. .	11.20	127
21	Corruption .. .. .	11.21	128
22	Weeding out of unsuitable personnel .. .. .	11.22	129
23	Welfare of employees .. .. .	11.23	129